



CONTENTS

1	Aurigene Discovery Technologies (Malaysia) SDN BHD	1
2	Aurigene Discovery Technologies Inc.	10
3	Aurigene Discovery Technologies Limited	19
4	beta Healthcare Solutions GmbH	51
5	beta Institut fur soziamedizinische Forschung and Entwicklung GmbH.....	58
6	betapharm Arzneimittel GmbH	69
7	Cheminor Investments Limited	81
8	Chiretech Technology Limited	91
9	Dr. Reddy's Farmaceutica do Brasil Ltda.	101
10	Dr. Reddy's Laboratories (Proprietary) Limited	112
11	Dr. Reddy's Laboratories Inc.	122
12	Dr. Reddy's Laboratories International SA	135
13	Dr. Reddy's Bio-Sciences Limited	141
14	Dr. Reddy's Laboratories (Australia) Pty. Ltd.	153
15	Dr. Reddy's Laboratories (EU) Limited	162
16	Dr. Reddy's Laboratories (U.K.) Limited	175
17	Dr. Reddy's Laboratories ILAC TICARET Limited	188
18	Dr. Reddy's Laboratories Louisiana LLC	194
19	Dr. Reddy's Laboratories SA	203
20	Dr. Reddy's New Zealand Limited (formerly Affordable Healthcare Limited)	214
21	Dr. Reddy's Pharma SEZ Limited	225
22	Dr. Reddy's SRL (formerly Jet Generici SRL)	234
23	DRL Investments Limited	243
24	Eurobridge Consulting B.V.	254

25	Industrias Quimicas Falcon de Mexico SA de CV	260
26	Kunshan Rotam Reddy Pharmaceutical Co. Limited	273
27	Lacock Holdings Limited	284
28	Macred India Private Limited	293
29	OOO Dr. Reddy's Laboratories Limited	302
30	OOO DRS LLC	313
31	OOO JV Reddy Biomed Limited	321
32	Promius Pharma LLC (formerly Reddy Pharmaceuticals LLC)	332
33	Reddy Antilles N.V.	343
34	Reddy Cheminor S.A.	351
35	Reddy Holding GmbH.....	359
36	Reddy Netherlands B.V.....	370
37	Reddy Pharma Iberia SA.....	378
38	Reddy Pharma Italia SPA	388
39	Reddy Pharmaceuticals Hong Kong Limited	397
40	Reddy US Therapeutics Inc.	405
41	Trigenesis Therapeutics Inc.	414

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(12,170)	(8,091)
Balance Brought forward	(8,077)	14
Balance Carried forward to Balance Sheet	(20,247)	(8,077)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board

Palanivel Sathasivam **CSN Murthy**
Director Director

Place : Hyderabad

Date : 04/05/2010

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Aurigene Discovery Technologies (Malaysia) SDN BHD. as at 31 March 2010 and also the Profit and Loss Account for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the profit/loss for the period ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner

Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1,239	1,239
Reserves & Surplus	2	-	-
		1,239	1,239
Loan funds			
Unsecured loans	3	44,946	35,341
		44,946	35,341
		46,185	36,580
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	28,620	28,085
Less: Accumulated depreciation		4,747	2,604
Net block		23,873	25,481
Capital work-in-progress (including capital advances)		1	106
		23,874	25,587
Current assets, loans and advances			
Cash and bank balances	5	1,363	2,300
Loans and advances	6	830	699
		2,193	2,999
Current liabilities and provisions			
Current liabilities	7	129	83
		129	83
Net current assets		2,064	2,916
Profit & Loss Account		20,247	8,077
		46,185	36,580

Notes to accounts

11

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached *for Aurigene Discovery Technologies (Malasia) SDN BHD*

for A. Ramachandra Rao & Co.

Chartered Accountants

A. Ramachandra Rao

Partner

Membership No. 9750

Palanivel Sathasivam

Director

C S N Murthy

Director

Place : Hyderabad

Date : 04/05/2010

Profit & Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income	8	934	3,644
		934	3,644
Expenditure			
Raw material consumed		1,223	-
Personnel costs	9	6,126	6819
Operating and other expenses	10	3,577	2,312
Depreciation		2,178	2604
		13,104	11,735
Profit/ (loss) for the year		(12,170)	(8,091)
Balance in profit and loss account brought forward		(8,077)	14
Balance in profit and loss account carried forward		(20,247)	(8,077)
Notes to accounts	11		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached *for Aurigene Discovery Technologies (M) SDN BHD*
for A. Ramachandra Rao & Co.
Chartered Accountants

A. Ramachandra Rao
Partner
 Membership No. 9750

Palanivel Sathasivam
 Director

CSN Murthy
 Director

Place : Hyderabad
 Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2010	As at 31 March 2009
Schedule 1: Share capital		
Authorised		
Authorised capital 100,000 shares of MYR 1 each	1,239	1,239
Issued		
Issued capital 100,000 shares of MYR 1 each	1,239	1,239
Share Application money pending allotment	-	-
	1,239	1,239
Schedule 2: Reserves & Surplus		
Foreign currency translation reserve	-	238
	-	238
Schedule 3: Unsecured Loans		
Borrowing others	-	63
Borrowings - IU	44,946	35,279
	44,946	35,342
Schedule 5: Cash and bank balances		
Balances with banks		
- On current accounts	1,363	2,300
	1,363	2,300
Schedule 6: Loans and advances (Unsecured)		
<i>Considered good</i>		
Staff loans and advances	-	25
Other advances recoverable in cash or in kind or for value to be received	28	28
Other Current assets	35	33
Deposits	767	613
	830	699
Schedule 7: Current Liabilities		
Sundry creditors	-	1
Other Liabilities	129	82
	129	83

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Description	Gross Block						Depreciation				Net Block	
	As at 01.04.2009	Addi- -tions	Dele- -tions	Forex	As at 31.03.2010	As at 01.04.2009	For the Year	Deletions	Forex	As at 31.03.2010	As at 31.3.2010	As at 31.03.10
Electrical Equipment	377	-	-	-	377	60	9	-	-	69	308	317
Laboratory equipment	22,605	534	-	1	23,140	1,758	1,718	-	(28)	3,448	19,692	20,847
Office equipment	5,103	-	-	-	-	786	451	-	(7)	1,230	3,873	4,317
Total	28,085	534	-	1	28,620	2,604	2,178	-	(35)	4,747	23,873	25,481
Previous Year	-	28085	-	-	28,085	-	2,604	-	-	2,604	25,481	

Schedules to Profit and Loss Account

	For the year ended 31 March 2010	For the period ended 31 March 2009
Schedule 8: Other income		
Interest on fixed deposits	3	6
Exchange gain	931	3,638
	934	3,644
Schedule 9: Personnel costs		
Salaries, wages and bonus	5,431	5,584
Contribution to provident and other funds	695	1,235
	6,126	6,819
Schedule 10: Operating and other expenses		
Power and fuel	286	90
Rent	1,681	959
Rates and taxes	3	73
Repairs and maintenance	369	74
Travelling and conveyance	161	9
Communication	374	357
Printing and stationery	88	22
Legal and professional charges	195	207
Bank charges	37	27
Sundry expenses	383	494
	3,577	2,312

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 11 : Notes to accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry

forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

e) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Related party Disclosures:

Particulars	(Rs. in thousands)	
	As at	As at
	31 March 2010	31 March 2009
i) Due from related parties (included in Borrowings):		
Aurigene Discovery Technologies Limited	44,946	35,279

3. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

- 4.** The Company incorporated in the Malaysia, is a 100% subsidiary of Aurigene Discovery Technologies Ltd., which is a 100% subsidiary of Dr. Reddy's Laboratories Ltd. by virtue of its 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit / (Loss) for the period after taxation	(715)	2,924
Balance Brought forward	(220,591)	(223,515)
Balance Carried forward to Balance Sheet	(221,306)	(220,591)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-2010 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s Aurigene Discovery Technologies Inc. as at 31st March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as it appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub – section 3(c) of section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the balance sheet, of the state of affairs of the Company as at 31st March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	208,282	208,282
Reserves and surplus	2	2,813	1,560
		211,095	209,842
Loan funds			
Unsecured loans	3	21,282	23,433
Total		232,377	233,275
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances	4	11,071	12,684
Loans and advances		-	-
		11,071	12,684
Current liabilities and provisions			
Current liabilities		-	-
Net current assets		11,071	12,684
Profit & Loss account		221,306	220,591
Total		232,377	233,275
Notes to accounts	7		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A Ramchandra Rao & Co.**
Chartered Accountants

A Ramachandra Rao
Partner
Membership No. 9750

for **Aurigene Discovery Technologies Inc.**

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Profit and Loss Account for the period ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income	5	1	3,655
Total		1	3,655
Expenditure			
Operating and other expenses	6	716	731
		716	731
Profit/ (Loss) before tax		(715)	2,924
Less: Income tax		-	-
Profit/ (loss) after taxation		(715)	2,924
Balance in profit and loss account brought forward		(220,591)	(223,515)
Balance carried to balance sheet		(221,306)	(220,591)

Notes to accounts

7

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for A Ramchandra Rao & Co.
Chartered Accountants

for Aurigene Discovery Technologies Inc.

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
6,000,000 equity shares of US\$ 1 each (previous year: 6,000,000 equity shares of US\$ 1 each)	276,000	276,000
Issued, Subscribed and paid-up		
4,400,000 equity shares of US\$ 1 each (previous year: 4,400,000 equity shares of US\$ 1 each) fully paid-up	208,282	208,282
TOTAL	208,282	208,282
Schedule 2 : Reserves & Surplus		
Foreign Currency Translation Reserve	2,813	1,560
TOTAL	788	(465)
Schedule 3 : Unsecured loans		
Borrowings - Others	-	-
Borrowings - IU	21,282	23,433
TOTAL	21,282	23,433
Schedule 4 : Cash and Bank balances		
Balances with banks outside India On current accounts	11,071	12,684
TOTAL	11,071	12,684

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 5 : Other income		
Miscellaneous income	1	10
TOTAL	1	10
Schedule 6 : Operating and other expenses		
Rent	-	(3,645)
Rates and taxes	91	32
Legal and professional charges	79	684
Bank charges	-	15
Sundry expenses	546	-
	716	(2,914)

Schedules to Balance Sheet and Profit and Loss Account

Schedule 7: Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Laboratory equipment	5 to 15
Furniture & fixtures	4 to 8

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

d) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

e) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

f) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

g) Contingencies

Loss/contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Related party disclosures

- a. There are no transactions with related parties except the Holding company Dr. Reddy's Laboratories Ltd.
- b. The Company has following amounts due from/to related parties:

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Due from related parties (included in Advances): Holding Company	-	-
ii. Due to related parties (included in Sundry Creditors): Holding Company	-	-
iii. Due to related parties (included in Borrowings): Promius Pharma LLC	-	-
Aurigene Discovery Technologies Limited	11,225	12,680
Dr. Reddy's Laboratories Inc.	10,058	10,753
3. Comparative figures		
Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.		
4. The Company incorporated in the United States of America, is a 100% subsidiary of Aurigene Discovery Technologies Ltd., which is a 100% subsidiary of Dr. Reddy's Laboratories Ltd. by virtue of 100% shareholding.		

DIRECTORS' REPORT

Dear Members,

Your Directors present the 9th Annual Report of the Company for the year ended 31 March 2010.

Financial Results

The following table gives the financial highlights of the Company for the financial year 2009-10 as compared to previous financial year:

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Income	897,806	621,571
Profit Before Tax	87,823	90,592
Net Profit for the year	105,534	89,205
Loss brought forward	(668,281)	(757,486)
Loss Carried Forward to Balance Sheet	(562,747)	(668,281)

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2010.

Share capital

Authorised Share Capital

During the year under review, the Authorised Share Capital of your Company has been increased from Rs. 900,000,000/- (Rupees ninety crores only) to Rs. 1,400,000,000/- (Rupees one hundred and forty crores only) divided into 95,000,000 (Nine crores fifty lakhs only) equity shares of Rs. 10/- each and 45,000,000 (four crores fifty lakhs only) cumulative redeemable preference shares of Rs. 10/- each.

Issued, Subscribed and Paid up Share Capital

During the year under review, the Paid up Share Capital of your Company stands enhanced at Rs. 905,441,040 divided into 90,544,104 equity shares of Rs. 10/- each, due to allotment of 1,899,943 equity shares of Rs. 10/- each on exercise of stock options by the eligible director/employees under Company's Employees Stock Option Plan.

Further, the Company has issued 14,750,000, 8% cumulative redeemable preference shares of Rs. 10/- each to Dr. Reddy's Laboratories Limited against cash or otherwise.

Subsidiary Companies

The Company has 2 subsidiary companies namely M/s. Aurigene Discovery Technologies Inc. and M/s. Aurigene Discovery Technologies (Malaysia) Sdn Bhd as on 31 March 2010. Members may refer to the documents as required Under Section 212 of the Companies Act, 1956 attached to the balance sheet of the Company, where ever applicable, in respect of its said 2 subsidiaries.

Directors

Mr. Satish Reddy retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. He offers himself for re-appointment as director subject to the approval of the Shareholders of the Company at the ensuing Annual General Meeting of the Company.

Audit Committee

The Audit Committee consists of Mr. G.V. Prasad, Mr. Satish Reddy and Mr. Umang Vohra as members of the Committee. All the members of the Audit Committee are non-executive directors and one of them is having financial and accounting knowledge. The Audit Committee met 3 times during the year - 9 May 2009, 26 November 2009 and 11 February 2010.

The functions of the Audit Committee are:

- a) Hold discussions with the Auditors periodically about internal control systems and the scope of audit including observations of the auditors.
- b) Review of the half-yearly and annual financial statements before submission to the Board and
- c) Ensure the compliance of internal control systems in the Company

Auditors

The Statutory Auditors of the Company M/s B S R & Co., Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Board of Directors recommend re-appointment of M/s. B S R & Co., Chartered Accountants, Bangalore, as Statutory Auditors of the Company for the financial year 2010-11 for Shareholder's approval.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2009-10 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an on-going concern basis.

Acquisition of the part of Discovery Research Business (New Chemical Entity) of Dr. Reddy's Laboratories Limited (Dr. Reddy's)

During the year, the Company acquired the certain assets, liabilities and employee contracts of Discovery Research Unit of Dr. Reddy's Laboratories Limited operating out of Miyapur, Hyderabad vide the Business Purchase Agreement dated 1 September 2009.

Particulars of Employees

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out in the Annexure – 1 to the Directors' Report.

Employees Stock Option Scheme

During the year under review, no stock options were granted to the employees of your Company.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to Conservation of energy and technology absorption are not applicable to your company.

Foreign exchange earnings and outgo

Please refer information given in the notes to the annual accounts of the Company in Schedule 19 Notes to Accounts item No. d) to item No. e).

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned viz. employees, bankers, government agencies to the company during the year.

for and on behalf of the Board of Directors

Place : Bangalore
Date : 04/05/2010

G V PRASAD
Director

C S N MURTHY
Whole Time Director

ANNEXURE 1 TO THE DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES AS PER PROVISIONS OF SEC. 217 (2A) OF THE COMPANIES ACT, 1956.

Sl. No.	Name of the Employee	Age	Designation	Remuneration (in Rs 000's)	Gross	Qualification	Experience in Years	Date of Commencement of Employment	Particulars of Last Employment
1.	CSN Murthy	43	Whole time Director. & CEO	8,811	*	B Tech, MBA	20	1st April 2005	Dr. Reddy's Laboratories Limited
2.	Dr. Murali Ramachandra	49	Vice President -Pre Clinical Biology	6,612	*	PhD	21	1st April 2005	Schering Plough Corporation, USA
3.	Dr. Hosahalli Subramanya	47	Vice President - SGDD	6,756	*	PhD	17	16th October 2002	CDRI, Lucknow
4.	Dr. Saumitra Sengupta	53	Vice President - Medicinal Chemistry	4,385	*	PhD	17	14th March 2005	Jadhavpur University
5.	Dr. Chetan Pandit	49	Director - Medicinal Chemistry	3,963		PhD	17	2nd April 2007	Naeja Pharmaceuticals
6.	Dr. Srinivas Nanduri	45	Senior Director - Medicinal Chemistry	3,621		PhD	16	17th December 2008	Syngene
7.	Ramesh Murthy	42	Director - Finance	2,693		CA	18	8th December 2008	ReaMetrix
Employed for part of the year									
1.	Dhruva Kumar Sen	49	Vice President - HR	4,612		MBA	24	1st December 2008	INX Media
2.	Sreevatsa Gopinath Natarajan	37	Head , Strategic Operations	3,756		MS	19	9th March 2009	Glenmark Research Centre
3.	Dr. Chenera Balan	55	Senior Director - Medicinal Chemistry	1,350		PhD	25	23rd March 2009	Jubilant Chemsys
4.	Dr K B Sunil Kumar .	48	Vice President - Preclinical Safety Evaluation	3,695		PhD	18	1st July 2009	Dr. Reddy's Laboratories Limited
5.	Dr Sunil Kumar Singh .	48	Principical Research Investigator - Medicinal Chemistry	2,520		PhD	17	1st July 2009	Dr. Reddy's Laboratories Limited
6.	Dr K Sreenivas .	46	Senior Research Investigator - Microbiology	2,078		PhD	16	1st July 2009	Dr. Reddy's Laboratories Limited

* Does not include perquisite on ESOP exercised during the year

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary	The Financial Year of the subsidiary company ended on	Number of shares in the subsidiary company held by Aurigene Discovery Technologies Ltd. at the above date				Preference Holding %	Equity Holding %	Preference Shares	Equity Shares	The net Aggregate of profits (losses) of the subsidiary company for its financial year so far as they concern the members of Aurigene Discovery Technologies Ltd.		The net Aggregate of profits (losses) of the subsidiary company for its previous financial years so far as they concern the members of Aurigene Discovery Technologies Ltd.	Charges in the interest of Aurigene Discovery Technologies Ltd. between the end of the last financial year and 31 March 2010	Material changes between the end of the last financial year and 31 March 2010
		Equity Shares	Preference Shares	a) Dealt with in the account of Aurigene Discovery Technologies Ltd. for the year ended 31.03.2010	b) Not dealt with in the account of Aurigene Discovery Technologies Ltd. for the year ended 31.03.2010									
Aurigene Discovery Technologies Inc.	31.03.2010	4,400,000	-	-	100	-	-	-	Nil	715	Nil	2,924	Nil	Nil
Aurigene Discovery Technologies (Malaysia) Sdn Bhd	31.03.2010	100,000	-	-	100	-	-	-	Nil	(12,170)	Nil	(6,088)	Nil	Nil

AUDITORS' REPORT

To

The Members of

Aurigene Discovery Technologies Limited

We have audited the attached balance sheet of Aurigene Discovery Technologies Limited ("the Company") as at 31 March 2010, the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 ("the order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ("the Act"), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) the balance sheet, profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
 - (v) on the basis of written representations received from the directors, as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act on the said date;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
- (b) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

For **B S R & Co.**
Chartered Accountants

Supreet Sachdev
Partner
Membership No. 205385

Place : Bangalore
Date : 04/05/2010

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in our report to the members of Aurigene Discovery Technologies Limited ("the Company") for the year ended 31 March 2010 we report that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) No Fixed assets has been disposed off during the year, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory of consumables has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures of physical verification of consumables followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of consumables and fixed assets and with regard to sale of services. The activities of the Company, during the year, did not involve sale of goods. We have not observed any major weakness in internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred above have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Sales-tax, Service tax, Wealth Tax, Customs duty and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund and Excise duty. We are informed that the provisions of

the Employees' State Insurance Act, 1948 ("ESI") are not applicable to the Company.

There were no dues on account of cess under section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government of India.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company has accumulated losses amounting to Rs 562,747 thousand as at 31 March 2010. The Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institution or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Co.**
Chartered Accountants

Supreet Sachdev
Partner
Membership No. 205385

Place : Bangalore
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(Rs in thousands)			
Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	1,052,941	886,442
Employees stock options outstanding		6,852	32,942
Reserves and surplus	4	30,634	1,780
		1,090,427	921,164
Loan funds			
Secured loan	5	118	309
Unsecured loan	6	403,065	498,480
		403,183	498,789
		1,493,610	1,419,953
APPLICATION OF FUNDS			
Fixed assets			
Gross block	7	1,132,454	900,149
Less: Accumulated depreciation		477,985	371,111
Net block		654,469	529,038
Capital work-in-progress		9,508	22,919
		663,977	551,957
Investments	8	1,239	1,239
Deferred tax asset, net	19(j)	17,776	65
Current assets, loans and advances			
Inventories	9	9,303	8,267
Sundry debtors	10	156,388	158,501
Cash and bank balances	11	104,519	50,915
Unbilled revenue		30,216	37,413
Loans and advances	12	101,692	86,263
		402,118	341,359
Less: Current liabilities and provisions			
Current liabilities	13	133,088	136,913
Provisions	14	21,159	6,035
		154,247	142,948
Net current assets		247,871	198,411
Profit and loss account		562,747	668,281
		1,493,610	1,419,953
Significant accounting policies	2		
Notes to the accounts	19		
Schedules 1 to 19 referred form an integral part of the financial statements			
As per our report attached for B S R & Co. <i>Chartered Accountants</i>		for Aurigene Discovery Technologies Ltd.	
Supreet Sachdev <i>Partner</i> Membership No. 205385		G V Prasad Director	C S N Murthy Whole-time Director
Place : Bangalore Date : 04/05/2010		P Sudha Mayi Company Secretary	

Profit and Loss Account for the year ended 31 March 2010

(Rs in thousands)			
Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Income from operations		888,897	597,917
Other income	15	8,909	23,654
		897,806	621,571
Expenditure			
Employee costs	16	274,195	159,689
Operating and other expenses	17	417,064	282,203
Depreciation	7	106,874	72,490
Finance expenses	18	11,850	16,597
		809,983	530,979
Profit before tax		87,823	90,592
Provision for taxation			
- income tax provision pertaining to earlier years written back		-	(66)
- deferred tax credit		19(j)	(17,711)
- fringe benefit tax		-	1,518
		105,534	89,205
Loss brought forward from previous year		(668,281)	(757,486)
Balance carried to balance sheet		(562,747)	(668,281)
Earnings/ (Loss) per share			
- Basic (Par value, Rs. 10 each)		19(k)	1.13
- Diluted (Par value, Rs. 10 each)			1.01
			1.11
Significant accounting policies		2	
Notes to the accounts		19	
Schedules 1 to 19 referred form an integral part of the financial statements			
As per our report attached for B S R & Co. <i>Chartered Accountants</i>		for Aurigene Discovery Technologies Ltd.	
Supreet Sachdev <i>Partner</i> Membership No. 205385		G V Prasad Director	C S N Murthy Whole-time Director
Place : Bangalore Date : 04/05/2010		P Sudha Mayi Company Secretary	

Schedules to the Financial Statements

1. Background

Aurigene Discovery Technologies Limited ('Aurigene' or 'the Company') was incorporated as a Private Limited Company on 10 August 2001. Subsequently, on 13 November 2001, the Company was converted into a Public Limited Company. The Company is promoted by Dr. Reddy's Laboratories Limited ('DRL') and is a wholly owned subsidiary of DRL. The main business activity of the Company is to undertake research relating to drug discovery for its customers. The Company commenced its commercial operations from 1 April 2003.

2. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, and other pronouncements of Institute of Chartered Accountants of India and the provisions of Companies Act, 1956. The financial statements are rounded off to the nearest thousand.

b) Going concern

These financial statements have been prepared on a going concern basis notwithstanding accumulated losses as at the balance sheet date. The appropriateness of the going concern assumption by the management is based on the anticipated growth of business and the continued financial support of the promoter, wherein the promoter has committed not to recall the unsecured loan provided to the Company for the next twelve months from the date of the balance sheet and also guaranteed the Company's banking facilities. These financial statements therefore do not include any adjustments relating to recoverability and classification of assets and liabilities that may be necessary if the Company is unable to continue as a going concern.

c) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure relating to contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

d) Inventories

Consumables are valued at cost or net realizable value whichever is lower. Cost comprises purchase price and all incidental expenses incurred in bringing the inventory to its present location and condition. Cost is determined on the first in first out method (FIFO).

e) Revenue recognition

The Company derives its revenue from business contracts signed with its customers to carry out research related work. Revenues are recognized in accordance with arrangements entered into with customers i.e. on a straight line basis in respect of fixed price contracts, on the basis of actual services being rendered in case of time and material contracts and on achievement of milestones in respect of other contracts.

Revenue earned in excess of billing has been reflected as unbilled revenues in the balance

Schedules to the Financial Statements (Contd.)

sheet.

Interest on deployment of funds is recognized using the time proportion method, based on underlying interest rates.

f) Fixed assets and Depreciation

Fixed assets are carried at cost of acquisition or construction, less accumulated depreciation and impairment loss, if any. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition of respective assets. Acquired intangible assets are recorded at the consideration paid for acquisition. Application software purchased is fully written off in the year of purchase.

Advance paid towards the acquisition of fixed assets and the cost of assets not installed as at the balance sheet date are accounted for as capital work-in-progress.

Depreciation on fixed assets is provided on a straight-line method. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life or remaining useful life. Pursuant to this policy, depreciation on assets has been provided at the rates based on the following useful lives of fixed assets as estimated by management:

Asset Description	Useful life
Buildings	30 years
Laboratory equipment	8 years
Electrical equipment	8 years
Plant and machinery – others	8 years
Computer hardware and software	3 years
Office equipment	8 years
Furniture and fixtures	8 years
Vehicles	5 years

Depreciation is charged on a time proportionate basis for all assets purchased and sold during the year. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of purchase.

g) Borrowing costs

Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

h) Impairment of assets

The Company periodically assesses whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced

Schedules to the Financial Statements (Contd.)

to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

i) Foreign currency transactions

Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date, the resultant exchange differences are recognised in the profit and loss account.

j) Employee benefits

Contributions payable to recognised provident fund, which is a defined contribution scheme, are made monthly at pre-determined rates and charged to profit and loss account.

Gratuity which is defined benefit scheme is accrued based on actuarial valuation at each balance sheet date, carried out by an independent actuary.

k) Investments

Long term investments are carried at cost less other-than-temporary diminution in value, determined separately for each individual investment.

l) Leases

Leases under which the Company has substantially assumed all the risks and rewards of ownership are classified as finance lease. Such assets are capitalised at fair value of the asset or the present value of the minimum lease payments, at the inception of the lease, whichever is lower.

Leases under which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments are charged to the profit and loss account on a straight line basis over the lease term.

m) Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that decrease profit per share are included.

n) Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax

Schedules to the Financial Statements (Contd.)

effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of business losses under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

The Company offsets, on a year on year basis, current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

o) Provision and Contingencies

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

p) Employee stock options

The Company accounts for stock based compensation based on the intrinsic value method. 'Option Discount' has been amortised on a straight-line basis over the vesting period of the shares issued under Employee Stock Option Plans ('ESOP').

'Option Discount' means the excess of the market price / fair value of the underlying shares at the date of grant of the options over the exercise price of the options.

Schedules to the Financial Statements (Contd.)

(Rs in thousands)		
Particulars	As at 31 March 2010	As at 31 March 2009
3. Share capital		
Authorised		
95,000,000 (previous year : 90,000,000) equity shares of Rs. 10 each	950,000	900,000
45,000,000 (previous year : Nil) 8% cumulative redeemable preference shares of Rs. 10 each	450,000	-
	1,400,000	900,000
Issued, subscribed and paid-up		
90,544,104 (previous year : 88,644,161) equity shares of Rs. 10 each, fully paid up - [Refer note 1]	905,441	886,442
14,750,000 (previous year : Nil) 8 % cumulative redeemable preference shares of Rs. 10 each, fully paid up - [Refer note 2]	147,500	-
	1,052,941	886,442
Note 1		
Of the above issued, subscribed and paid up equity shares 90,544,088 (previous year : 88,644,145) equity shares of Rs. 10 each fully paid up are held by Dr. Reddy's Laboratories Limited (DRL), the holding Company and 16 (previous year : 16) equity shares are held by the nominees of DRL. DRL is the ultimate holding Company.		
Note 2		
Of the above issued, subscribed and paid up 8% cumulative preference shares 14,750,000 (previous year : Nil) preference shares of Rs. 10 each fully paid up are held by DRL, the ultimate holding Company. These shares are allotted as fully paid-up pursuant to a Business Purchase Agreement without payments being received in cash. Also Refer to Note s of Schedule 19.		
4. Reserves and Surplus		
Capital reserve		
Balance at the beginning of the year	1,780	1,578
<i>Add:</i> Additions during the year	17	202
Balance at the end of the year	1,797	1,780
Securities premium account	28,837	-
	30,634	1,780
The above amount represents the employee stock option compensation expense. Also Refer to Note (o) of Schedule 19.		
(Rs in thousands)		

Schedules to the Financial Statements (Contd.)

Particulars	As at 31 March 2010	As at 31 March 2009
5. Secured loan		
- Vehicle loans	118	309
[Amount repayable within one year Rs. 118 thousand (previous year Rs. 191 thousand)]		
Vehicle loans represents loan from ICICI Bank Ltd., secured by hypothecation of vehicles.	118	309
6. Unsecured loan		
Interest free loan from Dr. Reddy's Laboratories Limited		
- Holding Company	358,858	358,944
From banks		
- term loans [Refer Note 1]	41,993	111,491
[Amount repayable within one year Rs 22,800 thousand (previous year Rs. 19,500 thousand)]		
- short term loan [Refer note 2]	2,214	28,045
	403,065	498,480
Note 1		
Term loan from State Bank of India is secured by corporate guarantee from DRL, the ultimate holding company.		
Note 2		
Short term loan from State Bank of India is secured by corporate guarantee from DRL, the ultimate holding company.		

Schedules to the Financial Statements (Contd.)

Schedule - 7 : Fixed Assets	(Rs. in thousands)									
	Gross Block					Depreciation			Net Block	
	As at 1st April 2009	Additions / Adjust -ments	Deletions	As at 31st March 2010	As at 1st April 2009	For the year	Deletions	As at 31st March 2010	As at 31st March 2010	As at 31st March 2009
Leased assets										
Land - Leasehold (Note 1) (A)	49,729	-	-	49,729	-	-	-	-	49,729	49,729
Owned assets- tangible										
Buildings	267,251	1,300	-	268,551	43,860	8,930	-	52,790	215,761	223,391
Laboratory equipment	349,502	182,025	-	531,527	175,505	64,742	-	240,247	291,280	173,997
Electrical equipment	107,256	14,488	-	121,744	66,124	15,083	-	81,207	40,537	41,132
Plant and machinery - others	5,980	11,146	-	17,126	3,115	1,413	-	4,528	12,598	2,865
Computers	40,765	9,569	-	50,334	31,690	5,318	-	37,008	13,326	9,075
Office equipment	19,764	1,725	-	21,489	13,292	2,847	-	16,139	5,350	6,472
Furniture and fixture	55,039	8,954	-	63,993	35,637	7,528	-	43,165	20,828	19,402
Vehicles	4,863	3,098	-	7,961	1,888	1,013	-	2,901	5,060	2,975
Total (B)	850,420	232,305	-	1,082,725	371,111	106,874	-	477,985	604,740	479,309
Total (A)+(B)+(C)	900,149	232,305	-	1,132,454	371,111	106,874	-	477,985	654,469	529,038
Previous year	763,564	145,198	8,613	900,149	299,643	72,490	1,022	371,111	529,038	

Note 1

In pursuance of an allotment letter ("the letter") dated 16 October 2001, received from Karnataka Industrial Area Development Board ("KIADB"), the Company acquired land located at Electronics city, Bangalore, on a lease-cum-sale basis. In terms of the letter, the lease shall be converted into a sale at the end of six years from the date of allotment subject to fulfillment of the terms and conditions of the allotment. Pending fulfillment of the terms and conditions of the allotment, the amount incurred on the land acquisition aggregating to Rs. 49,729 thousand has been accounted for as leasehold land.

Schedules to the Financial Statements (Contd.)

(Rs in thousands)		
Particulars	As at 31 March 2010	As at 31 March 2009
8. Investments		
Trade (Long term - Unquoted)		
Investment in subsidiary 4,400,000 (previous year : 4,400,000) common stock of USD 1 each, fully paid up, of Aurigene Discovery Technologies Inc., U.S.A., subsidiary Company	208,282	208,282
100,000 (previous year : 100,000) common stock of Malaysian Ringgits 1 each, fully paid up, of Aurigene Discovery Technologies (Malaysia) Sdn Bhd, Malaysian, subsidiary Company	1,239	1,239
	209,521	209,521
<i>Less:</i> Provision for permanent diminution in value of investment [Refer note p of Schedule 19]	208,282	208,282
	1,239	1,239
9. Inventories		
Consumables	9,303	8,267
	9,303	8,267
10. Sundry debtors		
Debts outstanding for a period exceeding six months considered doubtful	31,246	12,471
Other debts considered good	156,388	158,501
considered doubtful	-	18,775
	187,634	189,747
<i>Less:</i> Provision for doubtful debts	(31,246)	(31,246)
	156,388	158,501
11. Cash and bank balances		
Cash in hand	71	-
Balances with scheduled banks		
- in current accounts	1,247	642
- in exchange earner's foreign currency accounts	33,201	273
- in deposit account	70,000	50,000
	104,519	50,915

Schedules to the Financial Statements (Contd.)

(Rs in thousands)		
Particulars	As at 31 March 2010	As at 31 March 2009
12. Loans and advances		
(Unsecured, considered good)		
Advance to subsidiary**		
- Share application money pending allotment	2,026	2,026
- Other advances	45,166	35,278
Advances recoverable in cash or in kind or for value to be received *		
	30,638	43,469
Advance tax	16,401	1,186
[net of provision for income tax Rs. Nil (previous year : Rs. 2,099 thousand)]		
Deposits	3,398	2,866
Interest receivable	4,063	1,438
	101,692	86,263
(Unsecured, considered doubtful)		
Advance to subsidiary **		
- Share application money pending allotment	29,494	29,494
- Other advances	115,025	115,025
	144,519	144,519
<i>Less</i> : Provision for advance to Aurigene Discovery Technologies Inc., U.S.A. [Refer Note (q) and (r) of Schedule 19]		
	144,519	144,519
	101,692	86,263
*Includes amount due from Mr.CSN Murthy (Wholetime Director)		
	-	-
Maximum amount outstanding during the year from CSN Murthy (Wholetime Director)		
	-	267
**Amounts due and the maximum amount outstanding from the same management as defined under section 370(1B) of the Companies Act, 1956 [Refer Note (m) of Schedule 19]		
	191,711	181,823
13. Current liabilities		
Sundry creditors		
- outstanding dues to small enterprises and micro enterprises [Refer Note(s) of Schedule 19]	-	-
- capital goods	5,394	1,713
- others	55,899	28,245
Advance from Customers	63,049	104,824
Other liabilities	8,746	2,131
	133,088	136,913
14. Provisions		
Provision for gratuity		
	21,159	6,035
	21,159	6,035

Schedules to the Financial Statements (Contd.)

(Rs in thousands)		
Particulars	For the year ended 31 March 2010	For the year ended March 2009
15. Other income		
Interest income on deposits with bank (tax deducted at source Rs. 898 thousand (previous year : Rs. 555 thousand))	8,731	2,688
Foreign exchange gain, (net)	-	20,966
Miscellaneous income	178	-
	8,909	23,654
16. Employee costs		
Salaries, allowances and bonus	240,749	137,521
Contribution to provident and other funds	12,304	5,852
Staff welfare expenses	18,378	8,972
Employee stock option expense*	2,764	7,344
	274,195	159,689
* includes Rs. 2,747 thousand (previous year Rs. 7,212 thousand) on account of Employees stock option plan 2003 of the Company credited to the employee stock options outstanding account and Rs. 17 thousand (previous year Rs. 132 thousand) on account of Holding Company, Dr. Reddy's Laboratories Limited Employees stock option plan-2002 credited to the capital reserve.		
17. Operating and other expenses		
Laboratory consumables	209,989	141,325
Power and fuel	35,232	16,913
Rent	10,962	128
Repairs and maintenance		
- Buildings	3,988	12,098
- Plant and machinery	17,547	6,937
- Others	18,579	9,327
Travelling and conveyance	17,829	16,624
Legal and professional charges	8,438	11,556
Donation	50,000	-
Business development	11,240	10,862
Communication	4,318	2,812
Membership and subscription	4,067	2,198
Rates and taxes	3,679	3,032
Insurance	2,518	1,943
Handling charges	1,647	5,538
Software expenses	2,673	3,358
Recruitment charges	1,323	1,994
Security charges	2,430	1,697

Schedules to the Financial Statements (Contd.)

(Rs in thousands)		
Particulars	For the year ended 31 March 2010	For the year ended March 2009
Safety and environmental charges	1,873	1,414
Printing and stationery	682	1,159
Loss on sale of fixed assets, (net)	-	42
Foreign exchange loss, (net)	8,026	-
Miscellaneous expenses	24	-
Provision for doubtful debts	-	31,246
	417,064	282,203
18. Finance expenses		
Interest		
- on term loan and cash credit	11,776	15,427
Bank charges	74	1,170
	11,850	16,597

Schedules to the Financial Statements (Contd.)

19. Notes to the accounts

a) Commitments and contingent liabilities

(Rs in thousands)

As at **As at**
31 March 2010 **31 March 2009**

(i)	Claims against the Company not acknowledged as debt in respect of:	Nil	Nil
(ii)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	22,960	3,122
(iii)	Arrears dividend on 8% cumulative redeemable preference shares	4,073	Nil
(iv)	As at 31 March 2010, the Company is in the process of completing the formalities of converting the leased land into an absolute sale deed with the Karnataka Industrial Area Development Board ("KIADB") [Refer note 1 of schedule 7]. The Management believes that the Company may incur certain cost in this regard, the amount of which cannot be quantified currently.		
(v)	The Bangalore Unit of the Company is registered as a 100% export oriented unit ("EOU"), and is exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Company has executed legal undertakings to pay Customs duty, Central Excise duty, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. As on 31 March 2010, the Company has a positive Net Foreign Exchange Earning, as defined in the Foreign Policy 2004 - 2009.		

b) Details of imported and indigenous lab consumables and spare parts consumed

	Year Ended		Year Ended	
	31 March 2010		31 March 2009	
	Value	% of total consumption	Value	% of total consumption
Lab consumables (excluding job work)				
Imported	55,567	26%	31,146	22%
Indigenous	154,422	74%	110,179	78%
Total	209,989	100%	141,325	100%
Spare parts (included in repairs and maintenance)				
Imported	3,568	37%	2,822	65%
Indigenous	6,088	63%	1,527	35%
Total	9,656	100%	4,349	100%

(Rs in thousands)

Year ended **Year ended**
31 March 2010 **March 2009**

c) CIF value of imports

Laboratory consumables	55,567	31,146
Capital goods	28,754	45,090
Spare parts	3,568	2,822
Total	87,889	79,058

Schedules to the Financial Statements (Contd.)

		(Rs in thousands)	
		Year ended 31 March 2010	Year ended March 2009
d)	Expenditure in foreign currency		
	Travelling and conveyance	2,696	10,921
	Legal and professional charges	2,850	4,795
	Others	16,993	12,674
	Total	22,539	28,390
e)	Earnings in foreign currency		
	Income from operations	750,017	597,917
f)	Managerial remuneration*:		
	The Company has made following payments as managerial remuneration to a whole-time director during the year:		
	Salary and allowances	5,255	6,000
	Performance bonus	3,000	3,000
	Leave encashment	233	177
	Employee stock option	17	132
	Total	8,505	9,309
	<p>Maximum remuneration payable as per Schedule XIII of the Companies Act, 1956 is Rs. 4,200 thousand per annum. The Company has obtained Central Government approval for Rs 8,500 thousand per annum for the period 1 April 2007 to 15 August 2008 and Rs. 9,000 thousands for the period 16 August 2008 to 15 August 2011 from the Ministry of Corporate Affairs under Section 269, 198, 309 and 637AA of the Companies Act, 1956.</p> <p>During the year, the Company has recovered Rs 497 thousand from the Wholetime Director in respect of the managerial remuneration excess paid in the previous year.</p> <p>*The Wholetime Director is covered by the personnel accident insurance policy taken by the Company along with the other employees of the Company. The proportionate premium paid towards insurance policy pertaining to the Managing Director is not been included in the aforementioned disclosures as separate amounts are not available for the Wholetime Director. Further, the above figures do not include provision for gratuity as the same is actuarially determined for the Company as a whole.</p>		
g)	Auditors' remuneration (included in legal and professional charges)*		
	Statutory audit	700	350
	Out of pocket expenses	33	36
	Total	733	386
	*Excludes applicable service tax.		
h)	Gratuity plan		
	The following table set out the status of the gratuity plan as required under Accounting Standard (AS) 15 – “Employee benefits”.		

Schedules to the Financial Statements (Contd.)

Reconciliation of the Defined benefit obligations

	(Rs in thousands)	
	Year ended 31 March 2010	Year ended 31 March 2009
Change in defined benefit obligation		
Opening defined benefit obligation	6,035	3,074
Current service cost	3,289	1,285
Interest cost	1,166	335
Actuarial losses/ (gain)	952	1,384
Liability assumed on acquisition	10,481	-
Benefits paid	(764)	(43)
Closing defined benefit obligation	21,159	6,035
Change in plan assets		
Plan assets at period beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial (gain)/ loss	-	-
Contributions	764	43
Benefits paid	(764)	(43)
Plan assets at period end, at fair value	-	-
Reconciliation of present value of obligation and fair value of plan assets		
Fair value of the plan assets at the end of the period	-	-
Present value of defined benefit obligation at the end of the period	21,159	6,035
Asset/ (liability) recognised in the balance sheet (21,159)		(6,035)

Gratuity cost for the period

	(Rs in thousands)	
	Year ended 31 March 2010	Year ended 31 March 2009
Current Service Cost	3,289	1,285
Interest on Defined Benefit Obligation	1,166	335
Net actuarial losses/ (gains) recognized in the year	952	1,384
Total, included in "Salaries, allowances and bonus"	5,407	3,004

Assumptions at the valuation date

	Year ended 31 March 2010	Year ended 31 March 2009
Discount Rate	7.50% p.a.	7.15% p.a.
Expected Rate of Return on Plan Assets	0.00%	0.00%

Salary Escalation Rate

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

i) Operating leases

The Company leases Hyderabad unit and guest house under cancelable operating lease agreements. The total rental expense under cancelable operating leases is Rs. 10,962 thousand (previous year: Rs. 70 thousand).

Schedules to the Financial Statements (Contd.)

j) Deferred taxes			
Components of deferred tax assets and liabilities:			
	(Rs in thousands)		
	As at	As at	
	31 March 2010	31 March 2009	
Deferred Tax Asset			
Carry forward business losses and unabsorbed Depreciation	-	-	
Provision for gratuity	6,652	1,744	
Provision for doubtful debts	10,620	10,620	
Others	561	-	
Deferred Tax Liability			
Excess of depreciation allowable under Income Tax law over depreciation provided	(57)	(12,299)	
Deferred Tax Asset/ (Liability), net	17,776	65	
k) Earnings/ (loss) per share (EPS)			
	Year ended	Year ended	
	31 March 2010	March 2009	
Calculation of weighted average number of equity shares of Rs 10 each			
Number of shares at the beginning of the year	88,644,161	88,644,161	
Total number of equity shares outstanding at the end of the year	90,544,104	88,644,161	
Weighted average number of equity shares outstanding during the year – Basic	89,461,136	88,644,161	
Net profit after tax (Rs in thousands)	105,534	89,205	
<i>Less: Preference dividend (including dividend distribution tax thereon)</i>	4,766	-	
Net profit after tax attributable to equity share holders (Rs. in thousands)	100,768	89,205	
Basic earnings per share (Rs.)	1.13	1.01	
Number of potentially dilutive shares under options	1,639,798	1,369,284	
Weighted average number of equity shares outstanding during the year – Diluted	91,100,934	90,013,445	
Diluted earnings per share (Rs.)	1.11	0.99	
l) Segment reporting			
The Board of Directors (“the Board”) of the Company reviews the performance of the Company at the enterprise level. The Board relies primarily on results at the enterprise level for assessing performance and making decisions about resource allocation and hence the Management believes that there are no reportable segments on risk and reward-sharing basis.			
m) Details of amount dues and maximum amount outstanding from companies under the same management included in loans and advances are as follows:			

Schedules to the Financial Statements (Contd.)

		(Rs. In thousands)	
Parties	31 March 2010	31 March 2009	
Aurigene Discovery Technologies Inc., USA	146,545	146,545	
Aurigene Discovery Technologies (Malaysia) Sdn bhd	45,166	35,278	
Total	191,711	181,823	
n) Related party disclosures			
i. Parties where control exists:			
<ul style="list-style-type: none"> • Aurigene Discovery Technologies Inc., U.S.A - Subsidiary Company • Aurigene Discovery Technnologies (M) Sdn Bhd, Malaysia - Subsidiary Company • Dr. Reddy's Laboratories Ltd., Hyderabad - Holding Company 			
ii. Other related parties with whom transactions have taken place during the year:			
<ul style="list-style-type: none"> • Creative Business Sarl, an entity in which a director is interested • Konticon APS, an entity in which a director is interested • Institute of Life Sciences, an entity in which a director is interested 			
iii. Key Management Personnel represented on the Board of the Company:			
<ul style="list-style-type: none"> • Mr. C S N Murthy, Wholetime Director 			
iv. Particulars of related party transactions			
The following is a summary of significant related party transactions:			
		(Rs in thousands)	
	Year ended	Year ended	
	31 March 2010	31 March 2009	
Investment in subsidiary			
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	-	1,239	
Advances to			
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	9,888	35,278	
Share application money pending allotment			
Aurigene Discovery Technologies Inc., U.S.A – Subsidiary Company	-	2,026	
Revenue from operations			
Dr. Reddy's Laboratories Limited – Holding Company	134,986	-	
Institute of Life Science	3,894	-	
Power and fuel			
Dr. Reddy's Laboratories Limited – Holding Company	16,172	-	
Lease rent paid			
Dr. Reddy's Laboratories Limited – Holding Company	9,730	-	
Repairs and maintenance			
Dr. Reddy's Laboratories Limited – Holding Company	1,581	-	
Membership and subscription			
Dr. Reddy's Laboratories Limited – Holding Company	1,501	-	
Other expenses			
Dr. Reddy's Laboratories Limited – Holding Company	772	-	
Donation			
Institute of Life Sciences	50,000	-	

Schedules to the Financial Statements (Contd.)

Professional fee

Creative Business Sarl	5,461	7,683
Konticon APS	3,145	2,382

Remuneration to key management personnel

Mr. C S N Murthy, Wholetime Director	8,505	9,309
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- v. The following amounts are due from/ to related parties:

	(Rs in thousands)	
	As at	As at
	31 March 2010	March 2009
Due to related parties (included in unsecured loans)		
Dr. Reddy's Laboratories Limited – Holding Company	358,858	358,944
Due to related parties (included in current liabilities)		
Dr. Reddy's Laboratories Limited – Holding Company	32,401	-
Due from related parties (included in sundry debtors)		
Dr. Reddy's Laboratories Limited – Holding Company	36,405	-
Institute of Life Sciences	3,295	-
Due to related parties (included in sundry creditors for capital goods)		
Dr. Reddy's Research Foundation – Fellow subsidiary	-	75
Due from related parties (included in loans and advances)		
Aurigene Discovery Technologies Inc., U.S.A – Subsidiary Company	146,545	146,545
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	45,166	35,278
Investments		
Aurigene Discovery Technologies Inc., U.S.A. – Subsidiary Company	208,282	208,282
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	1,239	-
Provision for doubtful advances		
Aurigene Discovery Technologies Inc., U.S.A. – Subsidiary Company	144,519	144,519
Provision for permanent diminution in value of investment		
Aurigene Discovery Technologies Inc., U.S.A. – Subsidiary Company	208,282	208,282

- o) **Employee stock option plan (ESOP)**

ESOP 2003 (hereinafter referred to as “the plan”)

The ESOP scheme of the Company was approved by the shareholders at the Extra-ordinary general meeting held on 30 January 2003 and will remain in force till 31 July 2012. All employees of the Company and its subsidiary who have completed 1 full year of service with the Company and its affiliate will be eligible to participate in the scheme. A total of 4,550,000 equity shares of Rs. 10 each have been earmarked for the scheme and will be allotted during the period (extended or otherwise) the scheme is in force.

During the year 2007-08, the Plan was amended and approved by the shareholders at the Extra-ordinary general meeting held on 2 January 2008, whereby 2,950,000 equity shares earmarked for Management Stock Grant Plan was merged with this plan, thereby

Schedules to the Financial Statements (Contd.)

increasing the number of shares available under this scheme to 7,500,000 equity shares. This plan would be applicable to all employees, working in India or out of India who have completed one full year of service with the Company, the subsidiary or the holding Company as applicable with minimum work level of 1A as on the eligible date.

For the financial year ended 31 March 2010, no grants were made under the Plan. However, during the year 1,899,943 (previous year: Nil) shares were exercised by the employees. The cost of exercised options amounting to Rs. 28,837 thousand (previous year Rs. Nil) was transferred to Securities Premium Account.

The movement of stock options under the ESOP scheme during the year ended 31 March 2010 is follows:

	Year ended 31 March 2010	Year ended 31 March 2009
Stock options at the beginning	2,916,262	2,961,116
Grants during the year	-	-
Exercised during the year	1,899,943	-
Forfeited due to resignation of employees	3,988	44,854
Stock options outstanding at the end	1,012,331	2,916,262
Exercisable at the end of the year	850,237	1,764,943

In accordance with Guidance Note on Employee Share Based Payments, cost of such options calculated under the intrinsic value method amounting to Rs. 2,747 thousand (previous year Rs. 7,212 thousand) has been recognised in these financial statements.

Dr. Reddy's Employees Stock Option Plan-2002

Dr. Reddy's Laboratories Limited, the parent company instituted the 2002 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 24 September 2001. The Scheme covers all directors and employees of DRL and directors and employees of all its subsidiaries. Under the above scheme, certain employees of the Company have been granted options during the previous years. In accordance with Guidance Note on Employee Share Based Payments, cost of such options calculated under the intrinsic value method amounting to Rs. 17 thousand (previous year Rs. 132 thousand) has been recognised in these financial statements.

Had compensation for the above plans been determined under the fair value approach described in the Guidance Note on, "Accounting for employee share based payments", the Company's net profit and basic and diluted earnings per share would have reduced to the pro forma amounts as indicated:

	(Rs in thousands)	
	Year ended 31 March 2010	Year ended 31 March 2009
Net profit/ (loss) as reported	105,534	89,205
Add: Stock-based employee compensation expense (intrinsic value method)	2,764	7,344
Less: Stock-based employee compensation expense (fair value method)	3,354	8,717
Proforma net profit/ (loss)	104,944	87,832
Basic profit/ (loss) per share as reported	1.13	1.01

Schedules to the Financial Statements (Contd.)

	1.13	0.99
<p>p) The Company has a wholly owned subsidiary - Aurigene Discovery Technologies Inc. in USA. Considering the financial position and recurring losses incurred by the subsidiary, the Company has assessed its investment in subsidiary for other than temporary impairment. Accordingly, the Company had provided for its entire investment in its subsidiary towards impairment, being other than temporary.</p> <p>q) In 2004, Dr. Reddy's Laboratories Limited (DRL), the ultimate holding company had advanced, on behalf of the Company, an amount of USD 2.5 million (equivalent to Rs 115,025 thousand) to Aurigene Discovery Technologies Inc., the wholly owned subsidiary of the Company. Based on the evaluation of recoverability of the advance, the Company had provided for the entire amount of advances.</p> <p>r) The Company has advanced money in the form of share application money amounting to Rs 31,520 thousand to Aurigene Discovery Technologies Inc. against which no shares have been allotted till date. Considering the financial position of the subsidiary and based on the evaluation of the recoverability of such advance, the Company had provided for Rs. 29,494 thousand of share application money.</p> <p>s) During the year, the Company acquired certain assets, liabilities and employee contracts of Discovery Research Unit of Dr. Reddy's Laboratories Limited operating out of Miyapur, Hyderabad vide the Business Purchase Agreement dated 1 September 2009 for a net purchase consideration of Rs. 147,500 thousands. The purchase consideration was settled by issue of 8% Cumulative Redeemable Preference Shares of Rs.10 each redeemable at par at the end of 5 years with a call/ put option after 18 months from the date of allotment.</p> <p>t) The management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Further, The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2010 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the said Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.</p>		
	(Amounts in Rs.)	
	Year ended	Year ended
	31 March 2010	31 March 2009
<p>The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;</p>	Nil	Nil
<p>The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;</p>	Nil	Nil

Schedules to the Financial Statements (Contd.)

The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act; Nil Nil

The amount of interest accrued and remaining unpaid at the end of the year Nil Nil

The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise. Nil Nil

- u) The Company has not taken any hedging instruments to hedge the foreign currency exposure. Foreign currency denominated sundry debtors, advance from customers, advances to creditors/Capital work-in-progress (CWIP) and sundry creditors as at 31 March 2010 amounted to Rs 116,690 thousands, Rs 63,049 thousands, Rs. 10,559 thousands and Rs. 4,550 thousands respectively (previous year Rs 158,501 thousands, Rs. 104,824 thousands, Rs.2,532 thousands and Rs. 837 thousands respectively). The details of sundry debtors, advances to creditors/CWIP and sundry creditors denominated in foreign currency are as follows:

Particulars	Currency	Year ended 31 March 2010	Year ended 31 March 2009
Sundry debtors	US Dollar	2,549,978	3,008,557
	Euro	36,304	90,150
Advance from customers	US Dollar	1,390,751	2,174,678
	Euro	10,000	19,500
Advances to creditors/ CWIP	US Dollar	216,307	49,401
	Great Britain Pound	392	-
	Euro	13,563	396
Sundry creditors	US Dollar	78,139	5,356
	Great Britain Pound	11,090	7,371
	Japanese Yen	569,352	-
	Euro	-	454

- v) The Company has developed a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under Sections 92-92F of the Income Tax Act, 1961, which require existence of these records. The Management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.
- w) Previous year's figures have been regrouped and/ or reclassified wherever necessary, to conform with current year's presentation.

for and on behalf of the Board

G V Prasad
Director

C S N Murthy
Whole-time Director

P Sudha Mayi
Company Secretary

Place : Bangalore
Date : 04/05/2010

CASH FLOW STATEMENT

(Rs in thousands)

Particulars	Year ended 31 March 2010	Year ended March 2009
Cash flow from operating activities		
Profit before taxation	87,823	90,592
<i>Adjustments</i>		
Depreciation	106,874	72,490
Provision for doubtful debts	-	31,246
Provision for employees stock option plan	2,764	7,344
Unrealised foreign exchange loss	453	504
Interest income	(8,731)	(2,688)
Interest expense	11,776	15,427
Profit/ (loss) on sale of fixed assets (net)	-	42
Operating cash flow before working capital changes	200,959	214,957
(Increase)/ decrease in sundry debtors	2,113	(105,768)
Decrease/ (increase) in inventories	2,595	(7,150)
Decrease/ (increase) in unbilled revenue	7,197	(32,737)
Increase/ (decrease) in loans and advances	12,299	(11,668)
Increase/ (decrease) in current liabilities and provisions	(4,056)	85,693
Cash generated from operations	221,107	143,327
Income taxes paid	(15,215)	(2,381)
Net cash from operating activities	205,892	140,946
Cash flow from investing activities		
Purchase of fixed assets	(59,756)	(118,296)
Proceeds from sale of fixed assets	-	7,549
Purchase of investment (Share application money)	-	(1,239)
Interest received	6,106	1,250
Advances to subsidiaries	(9,888)	(36,319)
Net cash used in investing activities	(63,538)	(147,055)
Cash flow from financing activities		
Increase in Share Capital	18,999	-
Proceeds from long term borrowings	-	65,348
Repayment of long term borrowings	(95,520)	(4,721)
Interest paid	(11,776)	(15,427)
Net cash used in financing activities	(88,297)	45,200
Net increase in cash and cash equivalents	54,057	39,091
Cash and cash equivalents at the beginning of the year (Schedule 11)	50,915	12,328
Effect of exchange loss on cash and cash equivalents	(453)	(504)
Cash and cash equivalents at the end of the year (Schedule 11)	104,519	50,915

As per our report attached
for **B S R & Co.**
Chartered Accountants

Supreet Sachdev
Partner
Membership No. 205385

Place : Bangalore
Date : 04/05/2010

for and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

G V Prasad
Director

C S N Murthy
Wholetime Director

P Sudha Mayi
Company Secretary

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(9,456)	(9,590)
Balance Brought forward	(29,115)	(19,525)
Balance Carried forward to Balance Sheet	(38,571)	(29,115)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under review, Mr. V.S. Vasudevan has resigned from the Board of Directors of the Company w.e.f. 31 March, 2010.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board

Place : Hyderabad
Date : 04/05/2010

Ewers Michael
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited
Hyderabad.

We have audited the attached Balance Sheet of M/s. Beta Healthcare Solutions GmbH as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1,350	1,350
Reserves & surplus	2	1,546	(2,521)
		2,896	(1,171)
Loan funds			
Unsecured loans	3	35,904	-
		35,904	-
		38,800	(1,171)
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances	4	240	70
Loans and advances		1	1
		241	71
Current liabilities and provisions			
Current liabilities	5	12	30,357
		12	30,357
Net current assets			
Profit & Loss Account		229	(30,286)
		38,571	29,115
		38,800	(1,171)
Significant accounting policies			
Notes to accounts	7		

The schedules referred to above form an integral part of the Consolidated Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **beta Healthcare Solutions GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750

Ewers Michael
Director

Place : Hyderabad
Date : 04/05/2010

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income		1	14
		<u>1</u>	<u>14</u>
Expenditure			
Operating and other expenses	6	9,457	9,604
		<u>9,457</u>	<u>9,604</u>
Profit before taxation		(9,456)	(9,590)
Provision for tax			
- Current tax		-	-
- Deferred tax expense/ (benefit)		-	-
		<u>(9,456)</u>	<u>(9,590)</u>
Profit/ (loss) for the year		(9,456)	(9,590)
Balance in profit and loss account brought forward		(29,115)	(19,525)
Amount available for appropriation		(38,571)	(29,115)
Appropriations:			
Transfer to general reserve		-	-
Balance carried forward		<u>(38,571)</u>	<u>(29,115)</u>

Notes to accounts

7

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **beta Healthcare Solutions GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750

Ewers Michael
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet and Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1: Share capital		
Authorised		
Authorised capital EUR 25000*	1,350	1,350
Issued, Subscribed and paid-up		
Issued capital EUR 25,000*	1,350	1,350
	1,350	1,350
Schedule 2: Reserves & Surplus		
Share Premium	-	-
Currency Translation Reserve A/c	1546	(2521)
	1546	(2521)
Schedule 3: Unsecured Loans		
Borrowing IU	35,904	-
	35,904	-
Schedule 4: Cash and bank balances		
Balances with banks		
On current accounts	240	70
	240	70
Schedule 5: Current Liabilities		
Sundry creditors	12	12
Other Current Liabilities	-	30,345
	12	30,357
Schedule 6: Operating and other expenses		
Rates and taxes	103	527
Printing and stationery	-	-
Legal and professional charges	11	-
Bank charges	11	12
Sundry expenses	9,332	9,065
	9,457	9,604

Schedules to Balance Sheet and Profit and Loss Account

Schedule 7 : NOTES TO ACCOUNTS

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities

where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

d) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2010.

3. Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.
4. The Company, incorporated in Germany, is a 100% subsidiary of Reddy Holding GmbH.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	1	-
Balance Brought forward	-	-
Balance Carried forward to Balance Sheet	1	-

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-2010 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under review, Mr. V.S.Vasudevan has resigned from the Board of Directors of the Company w.e.f. 31 March, 2010.

Further, Mr. Mahato Sujit Kumar has been appointed as Director of the Company.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Mahato Sujit Kumar
Director

Erhardt Horst
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s beta Institute GmbH as at 31 March, 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the balance sheet, of the state of affairs of the Company as at 31 March, 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SHAREHOLDERS' FUNDS			
Share capital	1	5,401	5,401
Reserves & Surplus	2	814	1,343
Secured loans		-	-
Unsecured loans		34,630	-
		40,845	6,744
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	36,771	40,822
Less: Accumulated depreciation		30,113	30,884
Net block		6,658	9,938
Capital work-in-progress (including capital advances)		494	-
		7,725	10,432
Current assets, loans and advances			
Sundry debtors	4	1,037	2,135
Cash and bank balances	5	77,326	40,709
Loans and advances	6	36,859	37,709
		115,222	80,553
Current liabilities and provisions			
Current liabilities	7	82,102	84,241
Provisions		-	-
		82,102	84,241
Net current assets		33,120	(3,688)
		40,845	6,744

Significant accounting policies

Notes to accounts

11

The schedules referred to above form an integral part of the Balance Sheet.

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **beta Institute GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750

Mahato Sujit Kumar
Director

Place : Hyderabad
Date : 04/05/2010

Erhardt Horst
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income	8	239,056	280,856
		239,056	280,856
Expenditure			
Material costs		-	1,701
Personnel costs	9	120,484	143,103
Operating and other expenses	10	115,813	133,292
Research and development expenses		-	-
Amortisation of intangibles		1,280	366
Depreciation		1,478	2,394
		239,055	280,856
Profit before taxation		1	-
Provision for tax			
- Current tax		-	-
- Deferred tax expense/ (benefit)		-	-
Profit for the year		1	-
Balance carried forward		1	-

Significant accounting policies

Notes to consolidated accounts 11

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **beta Institute GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750

Mahato Sujit Kumar
Director

Place : Hyderabad
Date : 04/05/2010

Erhardt Horst
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1:		
Share capital		
Authorised		
Authorised capital 100,000 Euros*	5,401	5,401
<hr/>		
Issued, Subscribed and paid-up		
Issued capital 100,000 EUR*	5,401	5,401
<hr/>		
	5,401	5,401
<hr/>		
Schedule 2 :		
Reserves and surplus		
Securities premium account	14,156	14,156
Foreign Currency Translation Reserve	(12,813)	(12,813)
Profit and Loss Account	1	-
<hr/>		
	814	1,343
<hr/>		

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Schedule - 3 : Fixed Assets

Description	Gross Block						Depreciation				Net Block	
	As at 01.04.09	Additions	Deletions	Forex	As at 31.03.10	As at 01.04.09	For the year	Deductions	Forex	As at 31.03.10	As at 31.03.09	
Computers	23,265	-	-	(2,320)	20,945	22,568	460	-	(2,624)	20,404	541	697
Furniture and fixtures	12,122	-	-	(1,167)	10,955	7,781	1,018	-	(724)	8,075	2,880	4,341
Patents, trademarks and designs	5,435	-	-	(564)	4,871	535	1,280	-	(181)	1,634	3,237	4,900
Total	40,822	-	-	(4,051)	36,771	30,884	2,758	-	(3,529)	30,113	6,658	9,938
Previous year	32,646	18,242	-	(10,066)	40,822	26,665	2,760	-	1,459	30,884	9,938	5,981

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 4:		
Sundry debtors		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	1,037	2,135
	1,037	2,135
Schedule 5:		
Cash and bank balances		
Balances with banks		
On current accounts	77,326	40,709
	77,326	40,709
Schedule 6:		
Loans and advances		
(Unsecured)		
<i>Considered good</i>		
	-	-
Advance tax (net of provision for current taxes)	585	553
Deposits	1,201	1,340
	1,786	1,893
<i>Other Current Assets</i>	35,073	35,816
	36,859	37,709
Schedule 7:		
Current Liabilities		
Sundry creditors	6,857	19,108
Other Current Liabilities	75,245	11,323
Deferred Revenue income	-	53,810
	82,102	84,241

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 8:		
Other income		
Interest on fixed deposits	397	1,765
Miscellaneous income	238,659	279,091
	239,056	280,856
 Schedule 9:		
Personnel costs		
Salaries, wages and bonus	98,017	117,549
Contribution to provident and other funds	18,096	20,261
Workmen and staff welfare expenses	4,371	5,293
	120,484	143,103
 Schedule 10:		
Operating and other expenses		
Rent	1,295	1,018
Rates and taxes	784	914
Repairs and maintenance		
Plant and machinery	-	-
Others	2,520	3,403
Insurance	144	138
Travelling and conveyance	4,202	4,632
Communication	1,559	2,591
Advertisements	3,093	15,932
Other selling expenses	6,745	10,605
Printing and stationery	1,050	1,872
Legal and professional charges	31,728	36,694
Donations	-	26
Auditors' remuneration	-	176
Bank charges	18	24
Sundry expenses	62,675	55,267
	115,813	133,292

Schedules to Balance Sheet and Profit and Loss Account

Schedule 11 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office furniture & fittings	4 to 8
Office machinery & equipment	4 to 8
Computer equipment	3

Tenants improvements is being amortised over the primary period of the lease.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	<u>Years</u>
Intangibles	6-10

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

h) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

i) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

j) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2010.

- 3.** Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.
- 5.** The Company, incorporated in Germany, is a 100% subsidiary of Reddy Holding GmbH.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Annual Report with audited accounts of the company for the year ended 31 March 2009.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(1,634,943)	(1,233,370)
Balance Brought forward	1,129,388	2,362,758
Balance Carried forward to Balance Sheet	(505,555)	1,129,388

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-2010 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under review, Mr. V.S. Vasudevan has resigned from the Board of Directors of the Company w.e.f. 31 March 2010.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Ewers Michael
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Betapharm Arzneimittel GmbH as at 31 March, 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	55,225	55,225
Reserves & surplus	2	165,983	1,824,344
		221,208	1,879,569
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	9,082,505	10,091,471
Less: Accumulated depreciation		6,388,853	5,801,425
Net block		2,693,652	4,290,046
Capital work-in-progress (including capital advances)		-	-
		2,693,652	4,290,046
Current assets, loans and advances			
Inventories	4	1,133,433	2,461,475
Sundry debtors	5	204,712	254,645
Cash and bank balances	6	488,186	368,753
Loans and advances	7	77,016	133,501
Long-term deposits		-	-
		1,903,347	3,218,374
Current liabilities and provisions			
Current liabilities	8	4,375,791	5,628,851
Provisions		-	-
		4,375,791	5,628,851
Net current assets		(2,472,444)	(2,410,477)
Deferred tax assets		-	-
		221,208	1,879,569
Notes to consolidated accounts	14		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 04/05/2010

for **Betapharm Arzneimittel GmbH**

Ewers Michael
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		7,288,027	9,770,133
Other income	9	130,612	69,773
		7,418,639	9,839,906
Expenditure			
Material costs	10	4,639,627	5,056,639
Conversion charges		53,408	66,037
Personnel costs	11	1,680,426	1,250,730
Operating and other expenses	12	1,342,281	2,872,897
Research and development expenses		-	5,834
Amortisation of intangibles		1,241,413	1,735,804
Finance charges	13	21,917	2,072
Depreciation		74,510	83,263
		9,053,582	11,073,276
Profit for the year		(1,634,943)	(1,233,370)
Balance in profit and loss account brought forward		1,129,388	2,362,758
Balance in profit and loss account carried forward		(505,555)	1,129,388

Notes to accounts 14

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for A. Ramachandra Rao & Co.
Chartered Accountants

for Betapharm Arzneimittel GmbH

A. Ramachandra Rao
Partner
Membership No. 9750

Ewers Michael
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
Authorised capital 2,000,000 DM*	55,225	55,225
Issued, Subscribed and paid-up		
Issued capital 2,000,000 DM*	55,225	55,225
* No concept of nature and number of shares in this company	55,225	55,225
 Schedule 2: Reserves & Surplus		
General Reserve	7,385,551	7,385,551
Currency Translation Reserve A/c		
Balance at the beginning of the year	(6,690,595)	(1,913,859)
Additions/ deductions during the year	(23,418)	(4,776,736)
	(6,714,013)	(6,690,595)
 Profit and Loss A/c	 (505,555)	 1,129,388
	165,983	1,824,344

Schedules to Balance Sheet (Contd.)

Schedule - 3 : Fixed Assets												
(All amounts in Indian Rupees thousands, except share data)												
Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2009	Additions	Deletions	Forex	As at 31.03.2010	As at 01.04.2009	Additions	Deletions/ Adjts/ms.	Forex	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land - freehold	103,941	30	-	(20,237)	83,734	-	-	-	-	-	83,734	93,413
Land - Leasehold	10,528	-	10,528	-	-	-	-	-	-	-	-	10,528
Buildings	257,487	-	-	(26,649)	230,838	64,280	10,985	-	(7,490)	67,775	163,063	193,207
Computers	154,536	2,287	-	(16,102)	140,721	93,494	34,826	-	(12,778)	115,542	25,179	61,042
Plant & Machinery	44,386	3,215	2,321	(4,091)	41,189	15,602	20,124	-	(5,137)	30,589	10,600	28,784
Furniture and fixtures	66,568	308	-	(6,986)	59,890	31,766	8,484	-	(4,746)	35,504	24,386	34,802
Patents, trademarks and designs	9,464,099	18,751	-	(957,124)	8,525,726	5,595,994	1,241,413	-	(698,308)	6,139,099	2,386,627	3,868,105
Vehicles	454	-	-	(47)	407	289	91	-	(36)	344	63	165
Total	10,101,999	24,591	12,849	(1,031,236)	9,082,505	5,801,425	1,315,923	-	(728,495)	6,388,853	2,693,652	4,290,046
Previous year	10,091,471	-	-	-	10,091,471	5,801,425	-	-	-	5,801,425	4,290,046	

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 4: Inventories		
Stores and spares	669	206
Raw materials	17,982	21,291
Work-in-process	18,646	45,662
Finished goods	1,096,136	2,394,316
	1,133,433	2,461,475
Schedule 5: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
- Considered good	204,712	254,645
- Considered doubtful	32,388	36,531
	237,100	291,176
<i>Less:</i> Provision for doubtful debts	32,388	36,531
	204,712	254,645
Schedule 6: Cash and bank balances		
Balances with banks		
On current accounts	488,186	368,753
	488,186	368,753
Schedule 7: Loans and advances (Unsecured)		
Advances recoverable in cash or in kind or for value to be received	-	-
Advance tax (net of provision for current taxes)	1,768	1,861
Deposits	56,083	99,166
	57,851	101,027
Other Current Assets	19,165	32,474
	77,016	101,027
Schedule 8: Current Liabilities		
Sundry creditors	942,676	1,218,865
Other Current Liabilities	3,433,115	4,409,986
	4,375,791	5,628,851

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 9: Other income		
Interest on fixed deposits	648	5,964
Exchange gain, net	11,989	117
Miscellaneous income	117,975	63,692
	130,612	69,773
Schedule 10 : Material costs		
a) Opening stock of Finished goods	2,078,130	1,779,433
Closing stock Finished goods	1,096,136	2,078,130
Net (increase)/decrease	981,994	(298,697)
b) Opening Stock of raw materials	-	-
Raw materials purchased	9,581	47,897
Less :Closing stock	-	-
	9,581	47,897
c) Stores, chemicals, spares and packing material consumed	1,685	13,960
d) Purchase of traded goods	3,646,367	5,293,479
TOTAL	4,639,627	5,056,639
Schedule 11: Personnel costs		
Salaries, wages and bonus	836,090	1,085,842
Contribution to provident and other funds	119,022	164,888
Workmen and staff welfare expenses	725,314	-
	1,680,426	1,250,730

Schedule to Profit and Loss Account (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 12: Operating and other expenses		
Rent	55,943	54,768
Rates and taxes	67,222	94,942
Repairs and maintenance	59,034	103,117
Insurance	37,235	43,108
Travelling and conveyance	19,458	45,174
Communication	6,632	13,301
Advertisements	172,872	359,947
Other selling expenses	125,248	254,649
Printing and stationery	1,985	3,454
Legal and professional charges	54,572	181,279
Donations	12,778	8,717
Loss on sale/retirement of fixed assets, net	2,327	15,376
Auditors' remuneration	3	3,726
Bank charges	1,366	2,026
Sundry expenses	725,606	1,689,313
	1,342,281	2,872,897
Schedule 13: Finance charges		
Other finance charges	21,917	2,072
	21,917	2,072

Schedules to Balance Sheet and Profit and Loss Account

Schedule 14 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office furniture & fittings	4 to 8
Office machinery & equipment	4 to 8
Computer equipment	3

Tenants improvements is being amortised over the primary period of the lease.

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	<u>Years</u>
Intangibles	6-10

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

<i>Raw materials</i>	<i>First in first out (FIFO)</i>
<i>Stores and spares</i>	<i>Weighted average method</i>
<i>Work-in-process and finished goods (manufactured)</i>	<i>FIFO and an appropriate share of production overheads</i>
<i>Finished goods (traded)</i>	<i>Cost of purchase</i>

f) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

g) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

h) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

i) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax

rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

j) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

The company has taken buildings under finance lease. Future minimum lease payments under finance leases as at 31 March 2010 are as follows:

	Present value of minimum lease payments	Future interest	Minimum lease payments
Not later than 1 year	7,132	37	7,169
Later than 1 year and not later than 5 years	43,227	226	43,453
Beyond 5 years	194,524	1,016	195,540
	<u>244,883</u>	<u>1,279</u>	<u>246,162</u>

3. Related party disclosures

a. The Company has following amounts due from/to related parties:

Particulars	(Rs. thousands)	
	As at 31 March 2010	As at 31 March 2009
i) Due to related parties (included in Advances):		
Dr. Reddy's laboratories (UK) Limited	-	65,781
ii) Due to related parties (included in Creditors):		
Dr. Reddy's laboratories Limited	439,172	418,555
Dr. Reddy's laboratories (UK) Limited	8,774	2,427

4. Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification

5. The Company, incorporated in Germany, is a 100% Subsidiary of Reddy Holding GmbH.

DIRECTORS' REPORT

Your Directors present the 20th Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Rupees)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period	(18,939)	(1,608)
Balance Brought forward	(105,950)	(104,342)
Balance Carried forward to Balance Sheet	(124,889)	(105,950)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2010.

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Board of Directors recommend reappointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2010-11 for shareholders' approval.

Directors

Mr. G.V. Prasad, retires by rotation at the ensuing 20th Annual General Meeting and is eligible for re-appointment subject to the approval of members in the ensuing 20th Annual General Meeting of the Company.

The Board of Directors had appointed Mr. Satish Reddy as an Additional Director on the Board of Directors of the Company on 21 April 2010. He will hold this office till the conclusion of the 20th Annual General Meeting of the Company. Due notice Under Section 257 of the Companies Act, 1956 has

been received from a member proposing his appointment. It is proposed to appoint him as a Director of the Company liable to retire by rotation. The resolution for the same has been included in the notice of the 20th Annual General Meeting of the Company.

The Board of Directors had appointed Mr. Umang Vohra as an Additional Director on the Board of Directors of the Company on 21 April 2010. He will hold this office till the conclusion of the 20th Annual General Meeting of the Company. Due notice Under Section 257 of the Companies Act, 1956 has been received from a member proposing his appointment. It is proposed to appoint him as a Director of the Company liable to retire by rotation. The resolution for the same has been included in the notice of the 20th Annual General Meeting of the Company.

Dr. K. Anji Reddy, Mrs. K. Samrajyam and Mrs. G. Anuradha have resigned from the Board of Directors of the Company during the year. The Board of Directors of the Company placed a record of their appreciation for the valuable services rendered by them during their tenure of office.

Compliance Certificate

Pursuant to the provisions of Section 383A of the Companies Act, 1956, a certificate issued by a secretary in whole time practice with regard to compliance with the provisions of the Companies Act, 1956 is enclosed as Annexure – I.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended. Hence the relevant provisions are not applicable to your company.

Conservation of energy research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the company during the year.

for and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

G.V. Prasad
Director

AUDITORS' REPORT

To

The Members of

M/s Cheminor Investments Limited.

Hyderabad.

We have audited the attached Balance Sheet of M/s. Cheminor Investments Limited as at 31 March 2010 and the Profit & Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2004 issued by the Ministry of Finance (Department of Company Affairs, New Delhi dated 12.06.03) in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
 - (c) the Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the accounting standards referred to in sub – section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, along with the notes annexed hereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2010; and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For **A. Ramachandra Rao & Co.,**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 04/05/2010

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in paragraph 1 of the Auditor's report to the Members of M/s. Cheminor Investments Limited for the year ended 31 March 2010. We report as required under paragraph 4 that:

- i. (a) According to the information provided and explanations offered, the Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets;
- (b) In our opinion, the Company has a regular program of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets;
- (c) Based on the explanations given to us, the Company has not disposed off any substantial part of its fixed assets and hence in our opinion the sub-clause (c) is not applicable to the company for the year;
- ii. (a) According to the explanations given to us, the Company does not have any inventory and hence, in our opinion, the clauses 4(ii)(b) and 4(ii)(c) are not applicable to the company;
- iii. (a) The Company has neither granted nor taken loans, secured or unsecured to or from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, during the year;
- (b) Accordingly, in our opinion, the clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) are not applicable to the company for the year;
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of the business for the purchase of fixed assets. The company does not have any purchase of inventory and sale of goods. There is no continuing failure to correct major weaknesses in internal control;
- (a) According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Act.
- (b) In view of the above the clause 4(v)(b) is not applicable to the company for the year;
- v. In our opinion and according to the explanations given to us, the Company has not accepted any deposits from the public. Therefore, the directives issued by RBI and the provision of Sec.58A and Sec.58AA of the Companies Act, 1956 and the rules framed thereunder do not apply;
- vi. In our opinion, the Company has in general an adequate internal audit system commensurate with the size and nature of its business;
- vii. According to the information and explanations given to us, the maintenance of Cost record has not been prescribed by the Central Government, u/s. 209(1)(d) of the Companies Act, 1956 to the Company;
- viii. (a) According to the information and explanations given to us, the Company is regular in depositing the undisputed statutory dues including Income Tax and Wealth Tax and any other statutory dues with the appropriate authorities. We have been informed that the provisions of provident fund, investor education protection fund, employee's state insurance, sales tax, customs duty, excise duty and cess are not applicable to the company for the year;
- (b) According to the information and explanations given to us, there are no dues of income tax or wealth tax remaining to be deposited on account of any dispute.

- ix. Based on the explanations given to us and in our opinion, the accumulated losses at the end of the current financial year of the company are less fifty percent of its net worth and it has incurred cash losses during the financial year and in the financial year immediately proceeding such year;
- x. According to the information and explanations given to us, the company has no dues to a financial institution or bank or debenture holders;
- xi. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the requirement as to maintenance of documents and records does not apply;
- xii. The Company is not a chit fund or nidhi or mutual benefit fund or society, and hence the provisions of any special statute does not apply;
- xiii. The company is not dealing or trading in shares, securities, debentures and other investments and hence maintenance of records regarding the same does not apply;
- xiv. According to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from bank or financial institutions;
- xv. According to the information and explanations given to us, the Company has not obtained any term loan;
- xvi. In our opinion and according to the information and explanations given to us, the funds raised on short-term basis have not been used for long term investment or vice versa;
- xvii. In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prejudicial to the interest of the company;
- xviii. According to the information and explanations given to us, the Company has not issued any debentures and hence the question of creation of Security for the same does not arise;
- xix. According to the information and explanations given to us, the Company has not made public issue during the year of audit;
- xx. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year;

For **A. Ramachandra Rao & Co.,**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
I SOURCES OF FUNDS			
1 Shareholders' Funds			
Share Capital	1.01	1,345,930	1,345,930
TOTAL		1,345,930	1,345,930
II APPLICATION OF FUNDS			
1. Fixed Assets			
(Land & Buildings)	1.02		
Gross Block		1,208,993	1,272,625
Less: Depreciation		-	15,550
Net Block		1,208,993	1,257,075
2. Current Assets & Liabilities			
A. Current Assets	1.02	13,192	13,192
B. Less: Current Liabilities & Provisions	1.04	1,144	30,287
Net current Assets		12,048	(17,095)
Profit & Loss Account		124,889	105,950
TOTAL		1,345,930	1,345,930
NOTES TO ACCOUNTS	3.00		

Schedule Nos. 1.01 to 1.05 and schedule 3.00 are an integral part of this Balance Sheet and should be read in conjunction therewith.

As per our report attached

for and on behalf of the Board

for **A. Ramachandra Rao & Co.**
Chartered Accountants

Satish Reddy
Chairman

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
I INCOME		-	-
II EXPENDITURE		-	-
Administrative Expenses	2.01	17,903	572
Depreciation		1,036	1,036
		18,939	1,608
Loss for the year		(18,939)	(1,608)
Loss for the earlier years B/f		(105,950)	(104,342)
Transferred to Balance Sheet		(124,889)	(105,950)
Earnings per share			
Basic- Par value Rs.10 per share		(0.141)	(0.012)
Diluted— Par value Rs.10 per share		(0.141)	(0.012)
NOTES TO ACCOUNTS	3.00		

Schedule Nos.2.01 and Schedule No 3.00 form an integral part of this Profit & Loss Account and should be read in conjunction therewith.

As per our report attached

for and on behalf of the Board

for **A. Ramachandra Rao & Co.**
Chartered Accountants

Satish Reddy
Chairman

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Place : Hyderabad

Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
SCHEDULE 1.01		
Share Capital		
Authorised:		
1,50,000 Equity Shares of Rs.10/-each	1,500,000	1,500,000
200, 12% Cumulative Redeemable preference Shares of Rs.100/-each	20,000	20,000
TOTAL	1,520,000	1,520,000
Issued, Subscribed & Paid up :		
134,513 (previous year 134,513) Equity Shares of Rs.10/-each of these shares 1,34,508 are held by Dr. Reddy's Laboratories Ltd (previous year 1,34,508 Equity Shares of Rs.10/-each)	1,345,130	1,345,130
8, 12% Cumulative Redeemable Preference Shares of Rs.100/-each	800	800
TOTAL	1,345,930	1,345,930
SCHEDULE 1.03		
CURRENT ASSETS		
Cash and Bank Balances		
Balance with Scheduled Banks in current a/c	13,192	13,192
TOTAL	13,192	13,192
SCHEDULE 1.04		
CURRENT LIABILITIES & PROVISIONS		
Sundry Creditors for Expenses	1,144	30,287
TOTAL	1,144	30,287

Schedule to Profit and Loss Account

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
SCHEDULE 2.01		
Administrative Expenses		
1. Auditors remuneration	572	572
2. General Expenses	17,331	-
TOTAL	17,903	572

Schedules to Balance Sheet (Contd.)

Schedule 1.03 (FIXED ASSETS) (All amounts in Indian Rupees thousands, except share data)

Description	Gross Block at Cost			Depreciation			Net Block	
	As on 1-04-2009	Additions during the year	As on 31-3-2010	As on 01-4-2009	For the Year	Deletions	As on 31.3.2010	As on 31-3-2009
1 Land	1,208,993	-	1,208,993	-	-	-	1,208,993	1,208,993
2 Buildings	63,632	(63,632)	-	15,550	1,036	16,586	-	48,082
TOTAL	1,272,625	(63,632)	1,208,993	15,550	1,036	16,586	1,208,993	1,257,075
Previous year	1,272,625	-	1,272,625	13,478	1,036	14,514	1,258,111	

Schedule 3 : Notes to Accounts

Significant Accounting Policies

Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

- 1) Fixed Assets are stated at historical cost less depreciation.
Depreciation has been calculated at rates prescribed under straight-line method in Schedule XIV of the Companies Act, 1956.
- 2) In view of unabsorbed depreciation and carry forward of losses under tax laws and in the view of the fact that there is no virtual certainty of sufficient future taxable income, no provision is made has been made for deferred tax.
- 3) Additional Information pursuant to clause 4C and 4D of part II Schedule VI to the Companies Act, 1956 is not required to be furnished.
- 4) Previous years' figures are regrouped wherever necessary.
- 5) Earnings per share:

	2000-10	2008-09
Net profit/ (Loss) for the year (Rs. thousands)	(18,939)	(1,608)
Weighted average number of equity shares outstanding during the year - Basic	134,513	134,513
Weighted average number of equity shares outstanding during the year - Diluted	134,513	134,513
Basic Earnings per share	(0.141)	(0.012)
Diluted Earnings per share	(0.141)	(0.012)

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(39,282)	14,443
Balance Brought forward	14,443	-
Balance Carried forward to Balance Sheet	(24,839)	14,443

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under review, the Board of Directors of the Company had appointed Mr. V. Viswanath and Mr. Jonathan Kilham as directors on the Board of the Company w.e.f. 3 May 2010.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Chirotech Technology Limited as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the profit/ loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner

Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	807,173	807,173
Reserves & Surplus	2	607	(5,686)
		807,780	801,487
Loan Funds			
Unsecured loans	3	16,175	64,412
		16,175	64,412
		823,955	865,899
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	42,295	32,962
Less: Accumulated depreciation		14,582	7,860
Net block		27,713	25,102
Capital work-in-progress (including capital advances)		306	-
		28,019	25,102
Investments			
Current assets, loans and advances			
Inventories	5	10,554	8,101
Sundry debtors	6	189,090	381,084
Cash and bank balances	7	181,360	140,719
Loans and advances	8	49,377	62,200
		430,381	592,104
Current liabilities and provisions			
Current liabilities	9	550,251	625,266
		550,251	625,266
Net current assets			
Deferred Tax Asset	14(2)	(119,870)	(33,162)
		6,077	8,062
Profit and Loss Account			
		909,729	865,897
		823,955	865,899

Notes to accounts

14

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Chirotech Technology Limited**

A. Ramachandra Rao
Partner
Membership No.9750
Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

G.V.Prasad
Director

Profit & Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		556,692	755,354
Income from Service Contracts		172,714	-
Other income	10	16,597	19,325
		746,003	774,679
Expenditure			
Material costs	11	495,655	486,411
Personnel costs	12	180,640	171,532
Operating and other expenses	13	106,096	87,684
Depreciation		6,122	7,908
Amortization		440	-
		788,953	753,535
Profit/ (Loss) before taxation		(42,950)	21,144
Provision for tax			
- Current tax		-	5,043
- Deferred tax expense/ (benefit)		882	1,658
Profit/ (Loss) for the year		(43,832)	14,443
Balance in profit and loss account brought forward		(865,897)	(880,340)
Balance in profit and loss account carried forward		(909,729)	(865,897)
Notes to accounts	14		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Chirotech Technology Limited**

A. Ramachandra Rao
Partner
Membership No.9750
Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

G.V.Prasad
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
Authorised capital 108,298,978 shares of 0.10 each in GBP	811,051	811,051
Issued ,Subscribed and paid-up		
107,780,577 shares of 0.10 each in GBP	807,173	807,173
	807,173	807,173
Schedule 2: Reserves & Surplus		
Foreign Currency Translation Reserve	-	(5,686)
	607	(5,686)
Schedule 3: Unsecured Loans		
Borrowings -IU	16,175	64,412
	16,175	64,412
Schedule 5: Inventories		
Stores and spares	-	-
Raw materials	8,460	5,868
Work-in-process	-	-
Finished goods	2,094	2,233
	10,554	8,101
Schedule 6: Sundry Debtors		
Debts outstanding for a period exceeding six months Considered good	189,090	381,084
	189,090	381,084
Schedule 7: Cash and Bank Balances		
Balances with Sch-Banks	181,360	140,719
	181,360	140,719
Schedule 8: Loans & Advances		
Other advances recoverable in cash or in kind or for value to be received	219	1,131
Balances with Statutory Authorities	35,657	51,701
Other Current Assets	13,501	9,368
	49,377	62,200
Schedule 9: Current Liabilities		
Sundry Creditors	444,117	522,729
Accrued Expenses	30,065	24,039
Other Liabilities	76,069	78,498
	550,251	625,266

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Schedule - 4 : Fixed Assets

	Gross Block					Depreciation					Net Block	
	As at 01.04.2009	Additions	Deletions	Forex	As at 31.03.2010	As at 01.04.2009	Additions	Deletions	Forex	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Plant & Machinery	26,322	8,320	-	(303)	34,339	7,203	4,619	-	100	11,922	22,417	19,119
Computers & Software	3,714	629	-	80	4,423	657	1,349	-	48	2,054	2,369	3,057
Furniture & Fixtures	-	695	-	47	742	-	154	-	12	166	576	-
Patents and Trademarks	2,926	-	-	(135)	2,791	-	440	-	-	440	2,351	2,926
Total	32,962	9,644	-	(311)	42,295	7,860	6,562	-	160	14,582	27,713	25,102
Previous year	-	7,807	-	-	32,962	-	7,908	-	(48)	7,860	25,102	25,102

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 10 : Other Income		
Exchange Gain	-	19,325
Other Income - IU	16,597	-
	16,597	19,325
Schedule 11: Material costs		
<i>Raw materials consumed</i>		
Opening Stock of raw materials	486,411	-
Add: Purchases	19,798	486,411
Less: Closing stock	10,554	-
TOTAL	495,655	486,411
Schedule 12: Personnel costs		
Salaries, Wages and Bonus	164,665	171,532
Contribution to Provident and Other Funds	12,159	
Workmen and staff welfare expenses	3,816	
	180,640	171,532
Schedule 13: Operating and Other expenses		
Audit Fee	365	289
Bank charges	628	324
Communication expenses	3,737	1,601
Insurance	705	451
Lab expenses	15,436	14,735
Travel expenses	4,600	6,873
Legal and Professional expenses	13,676	9,782
Power and fuel	5,938	6,250
Selling expenses	1,731	201
Carriage outwards	1,900	2,222
Rates and taxes	3,638	4,246
Rent	22,637	23,565
Royalty	-	94
Repairs and maintenance		
Building	2,450	1,911
Plant and machinery	5,580	3,424
Others	2,205	1,815
Printing and stationary	2,495	1,486
General expenses	9,806	8,415
Foreign exchange loss	8,569	-
	106,096	87,684

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 14 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Plant and machinery	3 to 15
Furniture and fixtures & Office equipment	4 to 8

d) Research and development

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on research and development having alternative uses is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

e) Retirement benefits

Contributions payable employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Revenue recognition

Revenue received by way of contributions for research is recognised over the period for which the contribution has been received.

h) Income-tax expense

Income-tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

i) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Deferred taxation

Deferred tax liability, net included in the balance sheet comprises the following:

Deferred Tax Assets	As at 31 March 2010	As at 31 March 2009
Other current assets	-	9,852
Depreciation	6,077	-
	<hr/>	<hr/>
	6,077	9,852

Deferred Tax Liability

Excess of depreciation allowable under Income tax law over depreciation provided in accounts

(3,159) (1,790)

(3,159) (1,790)**Deferred Asset, Net****6,077****8,062****3. Related party Transactions:**

(Rs. in thousands)

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i) Due to related parties (included in Advances):		
Dr. Reddy's Laboratories Limited	-	1,450
ii) Due to related parties (included in Creditors):		
Dr. Reddy's Laboratories Limited	2,864	4,003
Dr. Reddy's Laboratories (UK) Limited	-	2,427
Dr. Reddy's Laboratories (EU) Limited	421,358	-
iii) Due from related parties (included in Borrowings):		
Dr. Reddy's Laboratories Inc.	1,611	8,551
Dr. Reddy's Laboratories (EU) Limited	-	55,861
Dr. Reddy's Laboratories Limited	14,564	-

4. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(156,951)	(357,372)
Balance Brought forward	(778,298)	(420,926)
Balance Carried forward to Balance Sheet	(935,249)	(778,298)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

VSS Seshagiri Rao Vempati
Director

Jobelino Vitoriano Locatelli
Director

Place : Hyderabad

Date : 04/05/2010

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s Dr. Reddy's Farmaceutica do Brasil Ltda. as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner

Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	97,085	97,085
Loan funds			
Unsecured loans	2	758,167	686,287
		855,252	783,372
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	35,328	30,970
Less: Accumulated depreciation		21,474	15,540
Net block		13,854	15,430
Capital work-in-progress (including capital advances)		-	96
		13,854	15,526
Current assets, loans and advances			
Inventories	4	23,770	64,371
Sundry debtors	5	49,182	26,026
Cash and bank balances	6	7,139	12,149
Loans and advances	7	25,771	21,189
		105,862	123,735
Current liabilities and provisions			
Current liabilities	8	242,613	134,187
		242,613	134,187
Net current assets		(136,751)	(10,452)
Deferred tax assets		42,900	-
Profit & Loss Account		935,249	778,298
		855,252	783,372

Notes to accounts

14

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A Ramachandra Rao & Co**
Chartered Accountants

for **Dr. Reddy's Farmaceutica Do Brasil Ltda.**

A Ramachandra Rao
Partner

Membership No. 9750
Place : Hyderabad
Date : 04/05/2010

VSS Seshagiri Rao Vempati
Director

Jobelino Vitoriano Locatelli
Director

Profit and Loss Account for the period ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales and service income		157,312	78,944
Other income	9	71,992	2,574
Total		229,304	81,518
Expenditure			
Material costs	10	125,219	79,870
Personnel costs	11	142,047	124,014
Operating and other expenses	12	145,208	230,483
Finance charges	13	11,297	568
Depreciation		5,926	3,955
Total Expenditure		429,697	438,890
Profit/ (Loss) before tax		(200,393)	(357,372)
Income tax expense / (benefit)		(43,442)	-
Profit/ (loss) after taxation		(156,951)	(357,372)
Balance in profit and loss account brought forward		(778,298)	(420,926)
Balance in profit and loss account carried forward		(935,249)	(778,298)

Notes to accounts 14

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A Ramachandra Rao & Co**
Chartered Accountants

A Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 04/05/2010

for **Dr. Reddy's Farmaceutica Do Brasil Ltda.**

VSS Seshagiri Rao Vempati
Director

Jobelino Vitoriano Locatelli
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
6,100,000 equity shares of BRL 1 each (previous year: 6,100,000 equity shares of BRL 1 each)	97,085	97,085
Issued, Subscribed and paid-up		
6,059,231 equity shares of BRL 1 each (previous year: 6,059,231 equity shares of BRL 1 each) (Held by Dr. Reddy's Laboratories Ltd.(Holding Company))	97,085	97,085
TOTAL	97,085	97,085
Schedule 2 : Unsecured loans		
Borrowings - Others	1,800	1,569
Borrowings - IU	756,367	684,718
TOTAL	758,167	686,287
Schedule 4 : Inventories		
Finished goods	23,770	64,371
TOTAL	23,770	64,371
Schedule 5 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	49,182	26,026
Considered doubtful	33,983	24,043
	83,165	50,069
Less: Provision for doubtful debts	33,983	24,043
TOTAL	49,182	26,026
Schedule 6 : Cash and bank balances		
Cash on hand	240	121
Balance with non-scheduled banks On current accounts	6,899	12,028
TOTAL	7,139	12,149
Schedule 7 : Loans and advances (Unsecured)		
<i>Considered good</i>		
Staff loans and advances	4,483	1,959
Other advances recoverable in cash or in kind or for value to be received	2,416	3,097
Deposits	571	238
Other Current Assets	18,301	15,895
TOTAL	25,771	21,189

Schedules to Balance Sheet (Contd.)

Schedule 3 : FIXED ASSETS (All amounts in Indian Rupees thousands, except share data)

Description	Gross Block				Depreciation				Net Block		
	As at 01-4-2009	Additions	Deductions	As at 31-3-2010	As at 01-4-2009	Depn. for the year	Deductions	Forex	As at 31-3-2010	As at 31-3-2009	
Lease hold improvements	4,301	1,965	-	6,266	2,253	527	-	10	2,790	3,476	2,048
Plant & Machinery	13,853	2,028	43	15,838	6,239	1,620	-	11	7,870	7,968	7,614
Furniture and Fixtures	3,127	165	-	3,292	2,124	1,159	1	10	3,292	-	1,003
Vehicles	5,058	-	-	5,058	1,062	1,943	-	41	3,046	2,012	3,996
Computer Equipment	4,631	245	2	4,874	3,862	677	66	3	4,476	398	769
TOTAL	30,970	4,403	45	35,328	15,540	5,926	67	75	21,474	13,854	15,430
Previous Year	21,450	12,915	3,395	30,970	15,554	3,955	3,365	(604)	15,540	15,430	5,896

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 8 : Current Liabilities		
Sundry creditors	216,198	113,987
Other Liabilities	1,950	5,651
Accrued Expenses	24,465	14,549
TOTAL	242,613	134,187

Schedules to Profit and Loss Account

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 9 : Other income		
<i>Interest income:</i>		
On fixed deposits	574	494
Profit on sale of fixed assets	16	2,080
Exchange gain (net)	71,402	-
TOTAL	71,992	2,574
Schedule 10 : Material costs		
(a) Opening stock of finished goods	64,371	74,862
<i>Less : Closing stock of finished goods</i>	23,770	64,371
Net (increase)/ decrease	40,601	10,491
(b) Purchase of traded goods	84,618	69,379
TOTAL	125,219	79,870
Schedule 11 : Personnel costs		
Salaries, wages and bonus	67,655	68,670
Workmen and staff welfare expenses	74,392	55,344
TOTAL	142,047	124,014
Schedule 12 : Operating and other expenses		
Rent	7,612	5,877
Rates and taxes	17,774	757
Insurance	1,427	811
Travelling and conveyance	27,209	31,064
Communication	6,370	5,744
Advertisements	8,863	7,216
Other selling expenses	37,310	39,435
Printing and stationery	1,847	1,563
Auditors' remuneration	473	-
Bad debts	6,625	2,843
Legal and professional	22,155	17,881
Exchange loss (net)	-	107,821
Sundry expenses	7,543	9,471
TOTAL	145,208	230,483
Schedule 13: Finance charges		
Other finance charges	11,297	568
TOTAL	11,297	568

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 14 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Furniture, Fixtures & Office Equipment	4 to 8
Vehicles	4 to 5

d) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

e) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

f) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products. Revenue from services is recognised as per the terms of the contracts with the customers when the services are performed.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Deferred tax Asset/ (liability)	As at 2009-10
Sundry Debtors	(214)
Current Liabilities	41,628
Inventories	1,486
Net tax asset, net	<u>42,900</u>

h) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Contingencies and commitment liabilities

There were no commitments or contingent liabilities as on 31 March 2010 (previous year: Nil).

3. Related Party Disclosure:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i) Due to related parties (included in Borrowings): Dr. Reddys Laboratories Limited	758,367	684,718
ii) Due to related parties (included in Creditors): Dr. Reddys Laboratories Limited	215,023	113,987
iii) Due from related parties (included in Debtors): Dr. Reddy's Laboratories Limited	1,297	-

4. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in Brazil, is a 100% Subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	30,201	(32,763)
Balance Brought forward	(70,563)	(37,800)
Balance Carried forward to Balance Sheet	(40,362)	(70,563)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerned for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

J. Naidoo
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Laboratories (Proprietary) Ltd. as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital		-	-
Loan funds			
Unsecured loans	1	8,232	6,775
TOTAL		8,232	6,775
APPLICATION OF FUNDS			
Fixed assets			
Gross block	2	8,485	8,034
Less: Accumulated depreciation		3,137	1,840
Net block		5,348	6,194
Current assets, loans and advances			
Cash and Bank balances	3	55,229	55,648
Inventories	4	58,912	39,123
Sundry debtors	5	180,597	120,352
Loans and advances	6	833	7,208
		295,571	222,331
Current liabilities and provisions			
Current liabilities	7	327,321	276,793
Deferred Revenue Income		13,513	15,522
		340,834	292,315
Net current assets		(45,263)	(69,984)
Deferred tax asset		7,785	-
Profit & Loss Account		40,362	70,564
TOTAL		8,232	6,775

Notes to accounts

12

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **Dr. Reddy's Laboratories (Proprietary) Ltd.**

for A. Ramachandra Rao & Co.
Chartered Accountants

J. Naidoo
Director

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		441,863	284,807
Other income		4,450	5,465
TOTAL		446,313	290,272
Expenditure			
Material costs	8	143,920	97,948
Personnel costs	9	73,364	50,742
Operating and other expenses	10	204,530	172,554
Amortisation of Intangibles		201	175
Finance charges		777	916
Depreciation		1,310	700
Total Expenditure		424,102	323,035
Profit/(Loss) before tax		22,211	(32,763)
Less: Income tax expense/ (benefit)	11	(7,990)	-
Profit after taxation		30,201	(32,763)
Balance in Profit and Loss Account brought forward		(70,563)	(37,800)
Balance in Profit and Loss account carried forward		(40,362)	(70,563)

Notes to accounts 12

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for A. Ramachandra Rao & Co.
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 04/05/2010

for **Dr. Reddy's Laboratories (Proprietary) Ltd.**

J. Naidoo
Director

Satish Reddy
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Unsecured loans		
Borrowings - IU	8,232	6,775
TOTAL	8,232	6,775
Schedule 3 : Cash & Bank Balances		
Cash at bank	55,229	55,646
Cash in hand	-	2
TOTAL	55,229	55,648
Schedule 4 : Inventories		
Finished goods	58,912	39,123
TOTAL	58,912	39,123
Schedule 5 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	180,597	120,352
Considered doubtful	5,041	1,022
	185,638	121,374
<i>Less: Provision for doubtful debts</i>	(5,041)	(1,022)
TOTAL	180,597	120,352
Schedule 6 : Loans and advances (Unsecured)		
Deposits	-	1,967
Other Current assets	833	5,241
TOTAL	833	7,208
Schedule 7 : Current Liabilities		
Trade payables	313,608	268,410
Accrued expenses	1,562	1,028
Others Current liabilities	12,151	7,355
TOTAL	327,321	276,793

Schedules to Balance Sheet (Contd.)

Schedule 2 : FIXED ASSETS											
(All amounts in Indian Rupees thousands, except share data)											
Description	Gross Block				Depreciation			Net Block			
	As at 01.04.2009	Additions	Deductions	As at 31.03.2010	As at 01.04.2009	Depn. for the year	Deductions	Forex	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Lease hold improvements	1,613	-	-	1,613	343	662	-	7	1,012	601	1270
Furniture, fixtures & Office Equipment	1,744	506	373	1,877	560	340	174	-	726	1,151	1,184
Computer equipment	859	368	51	1,176	389	307	51	-	645	531	471
Intangibles	3,817	-	-	3,817	548	201	-	3	752	3,065	3,269
TOTAL	8,033	874	424	8,483	1,839	1,510	225	11	3,135	5,348	6,194
Previous Year	5,212	2,841	20	8,033	958	875	-	6	1,839	6,194	4,254

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 8 : Material costs		
Raw materials consumed	143,920	97,948
TOTAL	143,920	97,948
Schedule 10 : Personnel costs		
Salaries, wages and bonus	70,003	49,286
Workmen and staff welfare expenses	3,361	1,456
TOTAL	73,364	50,742
Schedule 10 : Operating and other expenses		
Repairs and maintenance	-	1,869
Rent	3,494	1,827
Rates and taxes	109	40
Insurance	1,586	884
Travelling and conveyance	4,777	1,237
Communication	1,526	898
Advertisements	18,443	13,479
Commission on sales	855	-
Other selling expenses	126,539	98,886
Printing and stationery	2,545	2,044
Loss on sale of assets	174	-
Auditors' remuneration	1,934	277
Legal and professional	5,118	3,667
Bank charges	508	274
Exchange loss/ (gain), net	(5,364)	25,499
Sundry expenses	42,286	21,673
TOTAL	204,530	172,554
Schedule 11: Provision for taxation		
Current taxes	-	-
Deferred taxes	(7,990)	-
TOTAL	(7,990)	-

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 12 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded)	Cost of purchase
Stores and spares	Weighted average method

d) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Computer equipment	3
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipment	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities,

and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

h) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2010 (previous year: Nil).

3. Related Party Disclosures:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Purchases/ Services availed from Dr. Reddy's Laboratories Ltd.	557	-
ii. Due to related parties (included in Borrowings) Dr. Reddy's Laboratories Ltd.	8,232	6,775
iii. Due to related parties (included in Creditors) Dr. Reddy's Laboratories Ltd.	218,533	179,329

4. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in the South Africa, is a subsidiary of Dr. Reddy's Laboratories Ltd. by virtue of its 60% stake in the company.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	1,399,179	1,976,809
Balance Brought forward	2,525,803	548,994
Balance Carried forward to Balance Sheet	3,924,982	2,525,803

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerned for the co-operation to the company during the year.

For and on behalf of the Board

Dr. K. Anji Reddy
Director

G V. Prasad
Director

Place : Hyderabad

Date : 04/05/2010

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s Dr. Reddy's Laboratories Inc. as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A.Ramachandra Rao & Co.**
Chartered Accountants

A.Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	580,218	580,218
Reserves and Surplus	2	4,735,182	3,320,525
		5,315,400	3,900,743
Loan funds			
Unsecured loans	3	8,248	306,274
		8,248	306,274
		5,323,648	4,207,017
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	948,962	921,129
Less: Accumulated depreciation		832,731	611,506
Net block		116,231	309,623
Capital work-in-progress (including capital advances)		613	-
		116,844	309,623
Investments			
	5	1,759,128	1,759,503
Current assets, loans and advances			
Inventories	6	2,600,379	1,611,358
Sundry debtors	7	1,796,149	5,067,190
Cash and bank balances	8	502,130	362,103
Loans and advances	9	3,229,166	2,281,705
		8,127,824	9,322,356
Current liabilities and provisions			
Current liabilities	10	4,720,797	7,215,346
Provisions	11	494	1
		4,721,291	7,215,347
Net current assets		3,406,533	2,107,009
Deferred tax assets		41,143	30,882
		5,323,648	4,207,017
Notes to consolidated accounts		18	

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **Dr. Reddy's Laboratories Inc.**

for **A. Ramachandra Rao & Co.**
Chartered Accountants

Dr. K. Anji Reddy
Director

A. Ramachandra Rao
Partner
Membership No. 9750

G.V. Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		18,141,067	22,296,942
Service Income		513,755	264,322
Other income	12	99,846	106,876
		18,754,668	22,668,140
Expenditure			
Material costs	13	13,489,943	13,189,805
Personnel costs	14	737,038	945,097
Operating and other expenses	15	2,763,220	5,294,141
Research and development expenses		37,972	30,253
Amortisation of intangibles		217,337	204,924
Finance charges	16	-	35,789
Depreciation		17,080	14,851
		17,262,590	19,714,860
Profit before taxation		1,492,078	2,953,280
Provision for tax	17		
- Current tax		105,987	906,680
- Deferred tax expense/ (benefit)		(13,088)	69,791
Profit for the year		1,399,179	1,976,809
Balance in profit and loss account brought forward		2,525,803	548,994
Balance in Profit and Loss account carried forward		3,924,982	2,525,803

Notes to accounts 18

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **Dr. Reddy's Laboratories Inc.**

for **A. Ramachandra Rao & Co.**
Chartered Accountants

Dr. K. Anji Reddy
Director

A. Ramachandra Rao
Partner
Membership No. 9750

G.V. Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
1,500,000 shares of USD 10 each (previous year :410,000 shares, No par value)	673,500	673,500
Issued, Subscribed and paid-up		
1,401,000 shares of USD 10 each (previous year :410,000 shares, No par value)	580,218	580,218
	580,218	580,218
Schedule 2: Reserves and surplus		
Securities Premium Account	810,200	810,200
Profit and Loss Account	3,924,982	2,525,803
	4,735,182	3,336,003
Schedule 3: Unsecured Loans		
Borrowings - IU	8,248	306,274
	8,248	306,274
Schedule 5: Investments (Long term at cost)		
Investment in affiliates	16,331	16,331
Investment in Subsidiaries	1,742,797	1,743,172
	1,759,128	1,759,503
Schedule 6: Inventories		
Stores and spares	116,104	-
Finished goods	2,484,275	1,611,358
	2,600,379	1,611,358
Schedule 7: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	1,796,149	5,067,190
Considered doubtful	9,066	2,804
	1,805,215	5,069,994
<i>Less: Provision for doubtful debts</i>	9,066	2,804
	1,796,149	5,067,190

Schedules to Balance Sheet

Schedule - 4 : Fixed Assets (All amounts in Indian Rupees thousands, except share data)

Description	Gross Block			Depreciation				Net Block		
	As at 01.04.2009	Additions	Deletions	As at 31.3.2010	As at 01.4.2009	For the year	Deduc- tions	Forex	As at 31.03.2010	As at 31.03.2009
Goodwill & Other Intangibles	800,936	-	-	800,936	529,036	217,337	-	(11,634)	734,739	271,900
Lease hold Improvements	15,042	-	-	15,042	7,305	1,574	738	(77)	8,064	7,737
Computers	51,636	27,783	-	79,419	43,288	9,406	-	(447)	52,247	8,348
Electrical/ Office equipment	17,772	50	-	17,822	8,728	-	-	2,053	10,781	9,044
Furniture and fixtures	35,743	-	-	35,743	23,149	6,100	-	(2,349)	26,900	12,594
Total	921,129	27,833	-	948,962	611,506	234,417	738	(12,454)	832,731	309,623
Previous year	858,414	91,688	28,973	921,129	391,318	219,775	29,104	29,517	611,506	467,096

Schedules to the Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 8: Cash and bank balances		
Cash in hand	60	25
Balances with banks		
On current accounts	502,070	359,778
On deposit accounts	-	5
	502,130	359,808
Schedule 9: Loans and advances (Unsecured)		
<i>Considered good</i>		
Staff loans and advances	1,265	416
Other advances recoverable in cash or in kind or for value to be received	1,796,278	945,886
Advance tax (net of provision for current taxes)	1,406,326	1,335,403
Other current assets	25,297	2,295
	3,229,166	2,279,410
Schedule 10: Current Liabilities		
Sundry creditors	2,849,767	5,220,117
Other Current liabilities	507,895	326,131
Income taxes payable	1,363,135	1,669,098
	4,720,797	7,215,346
Schedule 11: Provisions		
Provision for Staff Benefits	494	1
	494	1

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 12: Other income		
Interest on fixed deposits	59,703	13,210
Profit on sale of fixed assets	-	3
Exchange gain, net	-	1,090
Miscellaneous income	40,143	92,573
	99,846	106,876
Schedule 13: Material costs		
a) Opening Stock of raw materials	-	-
Raw materials Consumed	8,746,065	4,044,712
Less: Closing stock	-	
b) Purchase of traded goods	4,743,878	9,145,093
TOTAL	13,489,943	13,189,805
Schedule 14: Personnel costs		
Salaries, wages and bonus	641,473	841,386
Contribution to provident and other funds	62,030	72,057
Workmen and staff welfare expenses	33,535	31,654
	737,038	945,097

Schedules to Profit and Loss Account (Contd.)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 15: Operating and other expenses		
Rent	116,504	60,105
Rates and taxes	6,071	4,240
Repairs and maintenance		
Buildings	-	12
Plant and machinery	2,194	-
Others	1	-
Insurance	12,236	12,432
Travelling and conveyance	55,543	78,656
Communication	16,171	14,430
Advertisement	18,120	25,686
Other selling expenses	148,213	377,972
Printing and stationery	8,672	8,687
Legal and professional charges	330,574	432,455
Donations	180	-
Bad debts written-off	48,302	19,007
Auditors' remuneration	2,102	6,128
Exchange loss, net	239,330	-
Bank charges	2,469	1,521
Sundry expense	1,756,538	4,252,810
	2,763,220	5,294,141
Schedule 16: Finance charges		
Other finance charges	-	35,789
	-	35,789
Schedule 17: Provision for tax		
Current taxes	105,987	906,680
Deferred taxes	(13,088)	69,791
	92,899	976,471

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 18: Notes to accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

Years

Electrical / office equipment	5 to 15
Furniture & fixtures	4 to 8
Computer equipment	3
Vehicles	4 to 5

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

Years

Goodwill	5-10
----------	------

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (CONTD.)

e) Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments. Investments in associates, accounted under the equity method of accounting, are initially recorded at cost, identifying any goodwill/ capital reserve at the time of acquisition. The carrying amount of such investments is adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee unless there is an agreement to the contrary. The carrying amount of investment in an associate is reduced to recognise a decline, other than temporary, in the value of the investment, such reduction being determined and made for each investment individually.

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded)	Cost of purchase
-------------------------	------------------

g) Retirement benefits

Contributions payable employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

h) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

i) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Revenue from the various profit sharing arrangements entered into by the Company is recognised when it is earned and is measurable and when the ultimate collection is reasonably certain.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (CONTD.)

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realized.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the group has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

k) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

2. Contingencies and commitment

There were no commitments and contingent liabilities as at 31 March 2010 (previous year : Nil)

3. Accounting for associates

Pursuant to the adoption of AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements, the Company has accounted for its investments in APR LLC under the equity method.

4. Related party disclosures

a. The Company has following amounts due from/ to related parties:

(Rs. thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
i. Due from related parties (included in Advances):		
Dr. Reddy's Laboratories Limited	232,347	234,345
Promius Pharma LLC	1,163,973	265,447
Aurigene Discovery Technologies Inc.	10,058	10,752
Industrias Quimicas Falcon de Mexico, S.A.	112,469	223,841
Dr. Reddy's Laboratories Louisiana LLC	267,612	109,460
Dr. Reddys Laboratories SA, Switzerland	-	50,498
Dr. Reddy's Laboratories (EU) Limited	-	8,504
Dr. Reddy's Laboratories (UK) Limited	-	101
Chirotech Technologies Limited	1,611	-
Trigenesis Therapeutics Inc.	190	-
Dr. Reddy's Laboratories (Proprietary) Limited	45	-
ii. Due from related parties (included in Debtors):		
Dr. Reddy's Laboratories Limited	1,072	1,913
Reddy US Therapeutics Inc.	-	1,355
Dr. Reddy's Laboratories Louisiana LLC	-	735
Dr. Reddys Laboratories SA, Switzerland	-	172,846
iii. Due to related parties (included in Sundry creditors):		
Dr. Reddy's Laboratories Limited		4,481,235
iv. Due to related parties (included in Borrowings):		
Dr. Reddy's Laboratories Limited	8,248	14,894
Promius Pharma LLC	-	(119,100)
Reddy US Therapeutics Inc.	103	116
Dr. Reddy's Laboratories Louisiana LLC	-	37,663
Dr. Reddys Laboratories SA, Switzerland	-	253,600

5. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

6. The Company, incorporated in the United States of America, 71% of shares are held by Dr. Reddy's Laboratories SA (100% subsidiary of Dr. Reddy's Laboratories Limited), and remaining 29% are held by Dr. Reddy's Laboratories Limited.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the period ended 31 March 2010.

Financial Results

Particulars	March 31, 2010
Profit/ (Loss) for the period	88
Balance carried forward	-
Balance Carried Forward to Balance Sheet	88

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr.Reddy's Laboratories S.A. as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Sub-section 3 (c) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao &Co.**
Chartered Accountants

Place : Hyderabad
Date : 04/05/2010

A. Ramachandra Rao
Partner
Membership No: 9750

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Schedule	As at 31 March 2010
SOURCES OF FUNDS	
Shareholders' funds	
Share capital	
Share Application Money pending allotment	4,144
Reserves & Surplus	88
TOTAL	4,232
APPLICATION OF FUNDS	
Current assets, loans and advances	
Cash and bank balances	4,232
	4,232
Current liabilities and provisions	
Current liabilities	-
	-
Net current assets	4,232
Notes to accounts	1

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's Laboratories International SA**

A. Ramachandra Rao
Partner
Membership No.9750

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Profit & Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Schedule	For the year ended 31 March 2010
Income	
Sales	-
Other income	88
	88
Expenditure	
Operating and other expenses	-
	-
Profit for the year	88

Notes to accounts

1

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's Laboratories International SA**

A. Ramachandra Rao
Partner
Membership No.9750

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 1 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded)	Cost of purchase
-------------------------	------------------

d) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Computer equipment	3
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisations of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

DIRECTORS' REPORT

Your Directors present the 10th Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period	(22)	(22)
Balance Brought forward	(154,068)	(154,046)
Balance Carried forward to Balance Sheet	(154,090)	(154,068)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March, 2010.

Directors

Mr. G.V. Prasad, retire by rotation at the ensuing 10th Annual General Meeting and is eligible for re-appointment subject to the approval of the members in the ensuing 10th Annual General Meeting of the Company.

The Board of Directors had appointed Mr. A S Kumar as an Additional Director on the Board of Directors of the Company on 21 April, 2010. He will hold this office till the conclusion of the 10th Annual General Meeting of the Company. Due notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his appointment. It is proposed to appoint him as a Director of the Company liable to retire by rotation. The resolution for the same has been included in the notice of the 10th Annual General Meeting of the Company.

Mr. Raghu Cidambi has resigned from the Board of Directors of the Company w.e.f. 4 May, 2010. The Board of Directors of the Company placed a record of his appreciation for the valuable services rendered by him during his tenure of office.

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Audit Committee and the Board of Directors recommends reappointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2010-11 for shareholders' approval.

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Audit Committee

The Audit Committee consists of Mr. G.V. Prasad, Mr. Satish Reddy and Mr. A S Kumar as members of the Committee.

The functions of the Audit Committee are:

- a) Hold discussions with the Auditors periodically about internal control systems and the scope of audit including observations of the auditors.
- b) Review of the half-yearly and annual financial statements before submission to the Board and
- c) Ensure the compliance of internal control systems in the Company

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended. Hence the relevant provisions are not applicable to your company.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors place on record their sincere appreciation for support and co-operation extended by all concerned to the company during the year.

for **Dr. Reddy's Bio-Sciences Limited**

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Chairman

AUDITORS' REPORT

**To
The Members of**

Dr. Reddy's Bio-Sciences Limited.
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Bio-Sciences Limited as at 31 March, 2010 and the Profit & Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
 - (c) the Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31.03.2010 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, along with the notes annexed hereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2010; and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For **A.Ramachandra Rao & Co.**
Chartered Accountants

A.Ramachandra Rao
Partner

Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in paragraph 1 of the Auditor's report to the Members of M/s. Dr. Reddy's Bio-Sciences Limited (Formerly Satyam Institute of E-Business Limited) for the year ended 31 March, 2010. We report as required under paragraph 4 that:

- i. (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has a regular program of Physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets;
- ii. (a) The Company does not have any inventories and as such verification of stocks does not arise;
- (b) In view of the above, the clauses 4(ii)(b) and 4(ii)(c) are not applicable to the company;
- iii. (a) The Company has not granted nor taken loans, secured or unsecured to or from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, during the year;
- (b) In view of the above, the clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) are not applicable to the company;
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of the business for the purchase of fixed assets. The company does not have any purchase of inventory and sale of goods. There is no continuing failure to correct major weaknesses in internal control;
- v. (a) According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of Section 301 of the Act.
- (b) In view of the above the clause 4(v)(b) is not applicable to the company;
- vi. In our opinion and according to the explanations given to us, the Company has not accepted any deposits from the public. Therefore, the directives issued by RBI and the provision of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed thereunder do not apply;
- vii. In our opinion, the Company has in general an adequate internal audit system commensurate with the size and nature of its business;
- viii. According to the information and explanations given to us, the maintenance of Cost records has not been prescribed by the Central Government, under Section 209(1)(d) of the Companies Act, 1956 to the Company;
- ix. (a) According to the information and explanations given to us, the Company is regular in depositing the undisputed statutory dues including Income Tax and Wealth Tax and any other statutory dues with the appropriate authorities. We have been informed that the provisions of Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Sales Tax, Customs Duty, Excise Duty and Cess are not applicable to the company;

- (b) According to the information and explanations given to us, there are no dues of Income tax or Wealth tax remaining to be deposited on account of any dispute.
- x. The Company has accumulated losses amounting to Rs. 154,090 thousands as at 31 March 2010. The Company has incurred cash loss of Rs. 22 thousand in the current financial year as well as in the immediately preceding financial year.
- xi. According to the information and explanations given to us, the company has no dues to a financial institution or bank or debenture holders;
- xii. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the requirement as to maintenance of documents and records does not apply;
- xiii. The Company is not a chit fund or nidhi or mutual benefit fund or society, and hence the provisions of any special statute does not apply;
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments and hence maintenance of records regarding the same does not apply;
- xv. According to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from bank or financial institutions;
- xvi. According to the information and explanations given to us, the Company has not obtained any term loan;
- xvii. In our opinion and according to the information and explanations given to us, the funds raised on short-term basis have not been used for long term investment or vice versa;
- xviii. In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prejudicial to the interest of the company;
- xix. According to the information and explanations given to us, the Company has not issued any debentures and hence the question of creation of Security for the same does not arise;
- xx. According to the information and explanations given to us, the Company has not made public issue during the year of audit;
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year;

For **A.Ramachandra Rao & Co.**
Chartered Accountants

A.Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS:			
Shareholder's Funds			
Share Capital	1.01	340,221	340,221
Loan Funds			
Unsecured Loan	1.02	62,269	62,284
Total		402,490	402,505
APPLICATION OF FUNDS:			
Fixed Assets			
Gross Block	1.03	261,783	261,783
Less: Depreciation		-	-
Net Block		261,783	261,783
Investments	1.04	-	-
Current Assets, Loans and Advances			
Cash and Bank Balances	1.04	305	305
Loans & Advances	1.05	56	116
Current Liabilities and Provisions			
Current Liabilities	1.06	13,744	13,767
		13,744	13,767
Net Current Assets		(13,383)	(13,346)
Profit and Loss Account		154,090	154,068
Total		402,490	402,505
Notes to accounts	2.00		

The schedules referred to above are integral part of the Balance Sheet.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 16/05/2009

for and on behalf of the Board

Satish Reddy
Chairman

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income		-	-
Expenditure		-	-
Audit Fees		22	22
		22	22
Profit before taxation		(22)	(22)
<i>Less : Provision for taxation</i>		-	-
Profit after taxation		(22)	(22)
<i>Add: Balance brought forward from Previous year</i>		(154,068)	(154,046)
Balance carried to Balance Sheet		(154,090)	(154,068)
Earnings per share (Refer Note 8 of Schedule 2.00(B))			

Notes to accounts 2.00

The schedules referred to above are integral part of the Profit and Loss Account.

As per our report attached

for and on behalf of the Board

for **A. Ramachandra Rao & Co.**
Chartered Accountants

Satish Reddy
Chairman

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 16/05/2009

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1.01 :		
Share Capital		
Authorised		
35,000,000 (previous year 35,000,000)		
Equity Shares of Rs.10/- each	350,000	350,000
	350,000	350,000
Issued, Subscribed and paid up		
34,022,070 Equity shares of Rs.10/- each fully paid up		
(All the shares are held by Dr.Reddy's Laboratories Ltd., the holding company and its nominees)	340,221	340,221
	340,221	340,221
Schedule 1.02		
Unsecured Loans		
Bank loan	-	-
Dr.Reddy's Laboratories Limited	62,269	62,284
	62,269	62,284

Schedules to Balance Sheet (Contd.)

Schedule 1.03 : FIXED ASSETS

(All amounts in Indian Rupees thousands, except share data)

Description	Gross Block				Depreciation			Net Block	
	As at 01.04.09	Additions during the year	Deletions	As at 31.03.10	As at 01.04.09	For the year	Deletions	As at 31.03.10	As at 31.03.09
Land Freehold	261,783	-	-	261,783	-	-	-	261,783	261,783
CWIP	-	-	-	-	-	-	-	-	-
Previous Year	261,783	-	-	261,783	-	-	-	261,783	261,783
	261,783	-	-	261,783	-	-	-	261,783	261,783

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule - 1.04		
Cash and Bank Balances		
Cash on Hand	-	-
On Current Account	305	305
	305	305
Schedule - 1.05		
Loans & Advances		
Taxes net of TDS	56	116
	56	116
Schedule - 1.06		
Current Liabilities & Provisions		
Sundry Creditors		
Other liabilities	13,693	13,694
Sundry Creditor for Expenses	20	20
Provision for Expenses	31	53
TOTAL	13,744	13,767

Schedules to Balance Sheet and Profit and Loss Account

Schedule - 2.00 :

A. Significant Accounting Policies:

1. Accounting Assumptions

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

2. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Direct costs related to acquisition of fixed assets are capitalized. These costs include freight, duties and taxes related to acquisition. Pre-operative expenditure forms part of assets capitalised.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased/ sold/ transferred during the year. Management estimate of the useful life of fixed assets is given below:

Plant & machinery	2 – 5 years
Computers	2 years
Software	2 years
Furniture and Fittings	5 years
Office Equipment	5 years

3. Revenue recognition of Income and Expenditure.

All interest income and expenditure are accounted on accrual basis except where stated otherwise.

B. Notes to Accounts

- 16,932,000 Equity Shares of Rs. 10 each have been allotted as fully paid up in settlement of unsecured loan received from erstwhile parent company Satyam Infoway Limited.
- A portion of land belonging to the company is under boundary dispute. This will not have any financial impact on the company.
- Estimated amount of contracts to be executed on capital account and not provided for in books is Nil (Previous Year Nil).
- Claims against the Company not acknowledged as debts - Nil (previous Year Nil).
- Expenditure in Foreign currency - Nil (previous year Nil).
- Value of Imports on CIF basis - Nil (previous Year Nil).
- Additional information pursuant to clause 4 C and D of Part II, Schedule VI of the Companies Act, 1956 is not applicable.

8. Earnings per share	2009-10	2008-09
Net profit/ (Loss) for the year (Rs.)	(22,000)	(22,000)
Weighted average number of equity shares outstanding during the year - Basic	34,022,070	34,022,070
Weighted average number of equity shares outstanding during the year - Diluted	34,022,070	34,022,070
Basic Earnings per share (Rs.)	0	0
Diluted Earnings per share (Rs.)	0	0

9. Figures are rounded off to the nearest Rs.Thousand

10. Figures have been regrouped and reclassified wherever necessary.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(152,378)	(41,865)
Balance Brought forward	(84,769)	(42,904)
Balance Carried forward to Balance Sheet	(237,147)	(84,769)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under review, Mr. Azhar Ibrahim has been appointed as director of the Company w.e.f. 27 October, 2009.

Further, Mr. Peter Buchanan Simpson has resigned as director of the Company w.e.f. 27 October, 2009.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Dr. Reddy's Laboratories Limited – 100% Holding Company

During the year, Dr. Reddy's Laboratories Limited, India bought 30% stake in the company from Biogenerics Australia Pty. Ltd thereby making the Company its wholly owned subsidiary.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

Azhar Ibrahim
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s Dr. Reddy's Laboratories (Australia) Pty. Limited as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Company's Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao &Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	35,126	35,126
Reserves & Surplus	1(a)	1,795	-
		36,921	35,126
Loan Funds			
Unsecured loans	2	221,135	50,667
		258,056	85,793
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	2,244	-
Less: Accumulated depreciation		423	-
Net block		1,821	-
Current assets, loans and advances			
Inventories		18,607	-
Cash and bank balances	4	16,557	19,241
Sundry debtors	5	4,911	-
Loans and advances		1,795	-
		41,870	19,241
Current liabilities and provisions			
Current liabilities	6	22,782	18,217
		22,782	18,217
Net current assets			
		19,088	1,024
Profit & Loss Account			
		237,147	84,769
		258,056	85,793
Notes to Accounts	11		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's Laboratories (Australia) Pty. Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Azhar Ibrahim
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		14,669	-
Sales (Net)		4,669	-
Other income	7	141	149
		141	149
Expenditure			
Material costs		12,114	-
Personnel costs	8	15,742	10,633
Operating and other expenses	9	125,964	30,502
Amortisation of intangibles		21	
Finance charges	10	12,942	879
Depreciation		405	
		167,188	42,014
Profit for the year		(152,378)	(41,865)
Balance in profit and loss account brought forward		(84,769)	(42,904)
Balance carried forward		(237,147)	(84,769)
Notes to Accounts	11		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's Laboratories (Australia) Pty. Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Azhar Ibrahim
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
1,000,000 ordinary shares of USD 1 each	35,126	35,126
Issued ,Subscribed and paid-up		
1,000,000 fully paid ordinary shares of USD 1 each	35,126	35,126
<i>(Out of above 699,993 ordinary shares are held by Dr.Reddy's Laboratories Limited) (Holding Company)</i>	35,126	35,126
Schedule 1(a): Reserves & Surplus		
Securities premium account	1,795	-
Total	1,795	-
Schedule 2: Unsecured Loans		
Borrowings IU	221,135	50,667
	221,135	50,667
Schedule 4: Cash and bank balances		
Cash in hand	23	-
Balances with Scheduled banks		
- On deposit accounts	237	-
Balances with Non Scheduled banks	16,297	19,241
	16,557	19,241
Schedule 5 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	3586	-
Other Current assets	1325	-
TOTAL	4,911	-
Schedule 6: Current Liabilities		
Sundry creditors	21,876	-
Other Current Liabilities	906	18,217
	22,782	18,217

Schedules to Balance Sheet (Contd.)

Schedule - 4 : Fixed Assets
(All amounts in Indian Rupees thousands, except share data)

	Gross Block						Depreciation				Net Block	
	As at 01.04.2009	Additions	Deductions	Forex	As at 31.3.2010	As at 01.4.2009	Additions	Deductions	Forex	As at 31.03.2010	As at 31.03.2009	
Goodwill		1,795	-	-	1,795	21	-	8	29	1,766	-	
Electrical/ Office equipment		449	-	-	449	405	-	(11)	394	55	-	
Total	-	2,244	-	-	2,244	426	-	-	423	1,821	-	
Previous year	-	-	-	-	-	-	-	-	-	-	-	

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 7: Other income		
Interest on fixed deposits	141	149
	141	149
Schedule 8: Personnel costs		
Salaries, wages and bonus	15,742	10,633
	15,742	10,633
Schedule 9: Operating and other expenses		
Rent	1,855	133
Lab expenses	41,947	17,808
Travelling and conveyance	3,039	-
Communication	942	-
Other selling expenses	9,821	3,817
Printing and stationery	24	109
Legal and professional charges	7,637	4,038
Auditors' remuneration	373	551
Exchange loss, net	7,682	369
Bank charges	32	11
Sundry expenses	52,612	3,666
	125,964	30,502
Schedule 10: Finance charges		
Other finance charges	12,942	879
	12,942	879

Schedule 11 : Notes to accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

e) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2010

3. Related party disclosures

a. The Company has following amounts due from/ to related parties:

Particulars	(Rs. thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Due to related parties (included in unsecured loans):		
Dr. Reddy's Laboratories Limited	221,135	50,667
ii. Due from related parties (included in Advances):		
Dr. Reddy's Laboratories Limited	1,795	-
ii. Due to related parties (included in Creditors):		
Dr. Reddy's Laboratories Limited	12,148	-

4. The Company, incorporated in Australia, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	194,696	94,079
Balance Brought forward	183,111	89,032
Balance Carried forward to Balance Sheet	377,807	183,111

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

Mr. V S Vasudevan has resigned from the Board of Directors of the Company w.e.f. 31 March, 2010. The Board of Directors of the Company placed a record of his appreciation for the valuable services rendered by him during his tenure of office.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

Viswanatha R. Bonthu
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Laboratories (EU) Limited as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A.Ramachandra Rao & Co.**
Chartered Accountants

A.Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	723,060	723,060
Reserves and surplus	2	355,221	210,673
Loan Funds			
Secured loans		-	-
Unsecured loans	3	615,316	675,789
TOTAL		1,693,597	1,609,522
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	993,042	1,038,830
Less: Accumulated depreciation		430,393	393,764
Net block		562,649	645,066
Capital work-in-progress (including capital advances)		-	25
		562,649	645,091
Investments	5	328,958	328,958
Current assets, loans and advances			
Inventories	6	111,588	78,374
Sundry debtors	7	502,489	588,503
Cash and bank balances	8	295,678	121,493
Loans and advances	9	107,166	227,956
Current liabilities and provisions			
Current liabilities	10	218,007	390,015
Deferred Revenue Income		1,267	1,418
Net current assets		797,647	624,893
Deferred tax liability		4,343	10,580
TOTAL		1,693,597	1,609,522

Notes to accounts 17
The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A Ramachandra Rao & Co.**,
Chartered Accountants

A Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 04/05/2010

for **Dr. Reddy's Laboratories (EU) Ltd.**

Satish Reddy
Director

Viswanatha R. Bonthu
Director

Profit and Loss Account for the period ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales (includes service income)		771,440	700,967
Other income	11	69,419	55,897
TOTAL		840,859	756,864
Expenditure			
Material costs	12	88,119	216,194
Personnel costs	13	217,577	172,567
Operating and other expenses	14	210,947	157,295
Amortisation of goodwill		7,347	4,942
Finance charges	15	20,014	44,632
Depreciation and Amortisation of goodwill		61,932	59,605
Total Expenditure		605,936	655,235
Profit before tax		234,923	101,629
Income tax expense	16	40,227	7,550
Profit after taxation		194,696	94,079
Balance brought forward		183,111	89,032
Balance carried to the balance sheet		377,807	183,111
Notes to accounts	17		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A Ramachandra Rao & Co.**,
Chartered Accountants

A Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 04/05/2010

for **Dr. Reddy's Laboratories (EU) Ltd.**

Satish Reddy
Director

Viswanatha R. Bonthu
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
20,000,000 shares of GBP 1 each	723,060	723,060
Issued, Subscribed and paid-up		
9,133,290 shares of GBP 1 each	723,060	723,060
TOTAL	723,060	723,060
Schedule 2 : Reserves and surplus		
Profit and Loss account	377,807	183,111
Foreign Currency Translation Reserve	(22,586)	27,562
TOTAL	355,221	210,673
Schedule 3 : Unsecured loans		
Borrowings - Others	-	-
Borrowings - IU	615,316	675,789
TOTAL	615,316	675,789
Schedule 5 : Investments (Long term at cost)		
<i>In Subsidiaries</i>	328,958	328,958
TOTAL	328,958	328,958
Schedule 6 : Inventories		
Stores and spares	1,032	1,361
Raw-materials	5,843	10,276
Work-in-process	71,700	37,515
Finished goods	33,013	29,222
Total	111,588	78,374
Schedule 7 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	472,942	563,760
Other Current assets	29,547	24,743
TOTAL	502,489	588,503

Schedule to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Schedule - 3 : Fixed Assets

	Gross Block						Depreciation				Net Block		
	Gross Block 01.04.2009	Aquisitions	Additions	Sale	Forex	Gross Block 31.03.2010	Acc Dep 01.04.2009	For the year	Sale	Forex	Acc Dep 31.3.2010	WDV 31.3.2010	WDV 31.3.2009
Buildings	78,539	-	5,832	-	(4,913)	79,457	6,112	7,057	-	(1,195)	11,974	67,483	72,427
Land	50,743	-	-	-	(3,175)	47,569	48,663	-	-	(9,212)	93,002	47,569	50,743
Plant & Machinery	505,258	-	11,027	-	(31,609)	484,676	333,929	53,551	-	(20,891)	313,038	391,674	456,595
Intangibles	333,929	-	-	-	(20,891)	313,038	4,494	-	-	(1,163)	10,677	-	-
Goodwill	67,413	-	-	-	(4,217)	63,196	566	7,346	-	(188)	1,702	52,518	62,919
Computers	2,948	-	2,343	-	(184)	5,106	566	1,324	-	-	3,404	3,404	2,382
TOTAL	1,038,830	-	19,202	-	(64,990)	993,042	393,764	69,278	-	(32,649)	430,393	562,649	645,066
Previous Year	333,929	767,364	5,991	-	(68,454)	1,038,830	333,929	64,099	-	(4,264)	393,764	645,066	-

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 8 : Cash and bank balances		
Cash on hand	48	50
Balance with non-scheduled banks	52	49
Balances with scheduled banks		
On deposit accounts	61	117
on current account	295,517	121,277
TOTAL	295,678	121,493
Schedule 9 : Loans and advances (Unsecured)		
<i>Considered good</i>		
Staff loans and advances	-	9
Other advances recoverable in cash or in kind or for value to be received	107,166	227,947
TOTAL	107,166	227,956
Schedule 10 : Current Liabilities		
Sundry creditors	29,875	212,203
Accrued Expenses	23,685	40,054
Others Current Liabilities	164,447	137,758
TOTAL	218,007	390,015

Schedules to Profit and Loss Account

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 11 : Other income		
Exchange gain (net)	4,647	8,780
Miscellaneous income	64,772	47,117
TOTAL	69,419	55,897
Schedule 12 : Material costs		
Opening Stock of raw materials	-	-
<i>Raw materials purchased/ consumed:</i>	76,342	211,447
<i>Less: Closing stock of raw materials</i>	-	-
	76,342	211,447
Stores, chemicals, spares and packing material consumed	11,777	4,717
Duty on Goods	-	30
TOTAL	88,119	216,194
Schedule 13 : Personnel costs		
Salaries, wages and bonus	205,572	167,342
Contribution to provident and other funds	-	-
Workmen and staff welfare expenses	12,005	5,225
TOTAL	217,577	172,567
Schedule 14 : Operating and other expenses		
Power and fuel	50,157	53,428
Repairs and maintenance		
Buildings	3,087	1,085
Plant and machinery	13,625	29,640
Others	67,398	26,099
Rent	2,359	3,395
Rates and taxes	10,414	12,722
Insurance	6,550	7,790
Travelling and conveyance	3,653	1,731
Communication	1,013	1,867
Lab expenses	6,319	13,561
Other selling expenses	16,608	1,909
Printing and stationery	870	1,044
Vehicle expensed	80	-
Auditors' remuneration	365	289
Legal and professional charges	26,166	(4,327)
Bank charges	669	823
Sundry expenses	1,614	6,239
Total	210,947	157,295

Schedules to Profit and Loss Account (Contd.)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 15: Finance charges		
Other finance charges	20,014	44,632
TOTAL	20,014	44,632
Schedule 16: Provision for taxation		
Current taxes	33,883	25,470
Deferred taxes	6,344	(17,920)
TOTAL	40,227	7,550

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 17 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management.

Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings:	
- Factory and administrative buildings	20 to 39
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office machinery & equipment	4 to 8
Computer equipment	3
Vehicles	4 to 5

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	<u>Years</u>
Intangibles	13

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First-in-first-out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

f) Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

g) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

h) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

i) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated exclusive of returns, applicable trade discounts and allowances.

Service income is recognized as per the terms of contracts with customers when the related services are performed.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

k) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Deferred taxation

Deferred tax liability, net included in the balance sheet comprises the following:

Deferred tax Assets	As at 31 March 2010	As at 31 March 2009
Inventories	20,800	22,188
	20,800	22,188
Deferred Tax Liability		
Excess of depreciation allowable under Income tax law over depreciation provided in accounts	(16,457)	(11,608)
	(16,457)	(11,608)
Net Tax Asset, Net	4,343	10,580

3. Commitments and contingent liabilities

There were no commitments or contingent liabilities as on 31 March 2010

4. Related Party Disclosures:

The company has the following related party transactions:

Particulars	As at 31 March 2010	As at 31 March 2009
i. Due from related parties (included in advances):		
Dr. Reddy's Laboratories (UK) Ltd.	76,506	-
Dr. Reddy's Laboratories SA, Switzerland	-	63,429
Dr. Reddy's Newzealand Limited	-	65,781
ii. Due from related parties (included in Debtors):		
Chirotech Technology Limited	421,358	503,637
Dr. Reddy's Laboratories Limited	5,681	-
iii. Due to related parties (included in Borrowings):		
Dr. Reddy's Laboratories SA, Switzerland	599,583	675,787
Dr. Reddy's Laboratories Limited	15,733	-

iv.	Due to related parties (included in Payables):		
	Dr. Reddy's Laboratories Limited	9,546	-
	Industrias Quimicas Falcon de Mexico SA de CV	983	-
	Chirotech Technology Limited	14,715	-

5. Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

6. The Company incorporated in United Kingdom. 99% shares of the company are held by Dr. Reddy's Laboratories SA (100% subsidiary of Dr. Reddy's Laboratories Limited) and remaining 1% shares are held by Dr. Reddy's Laboratories Limited.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	38,797	(15,888)
Balance Brought forward	-	-
Balance Carried forward to Balance Sheet	38,797	(15,888)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Directors

During the year under review, Mr. V.S. Vasudevan has resigned as Director from the Board of Directors of the Company w.e.f. 31 March 2010.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

Viswanatha R. Bonthu
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Laboratories (UK) Ltd. as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner

Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	70	70
Reserves and surplus	2	211,544	172,746
Loan funds			
Unsecured loans	3	77,927	66,099
		289,541	238,915
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	346,702	337,838
Less: Accumulated depreciation		172,865	144,581
Net block		173,837	193,256
Capital work-in-progress (including capital advances)		36,525	1,604
		210,362	194,860
Current assets, loans and advances			
Inventories	5	137,259	141,513
Sundry debtors	6	388,780	378,810
Cash and bank balances	7	181,642	138,553
Loans and advances	8	73,518	62,347
		781,199	721,223
Current liabilities and provisions			
Current liabilities	9	645,686	638,964
Deferred Revenue income		62,162	41,255
		707,848	680,219
Net current assets		73,351	41,004
Deferred tax asset		5,828	3,051
		289,541	238,915

Notes to accounts

16

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramchandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's Laboratories (UK) Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Vishwanatha R Bonthu
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales and service income		1,965,158	1,999,188
Other income	10	35,917	75,470
Total		2,001,075	2,074,658
Expenditure			
Material costs	11	1,205,207	1,237,399
Personnel costs	12	299,929	281,228
Operating and other expenses	13	407,636	560,511
Depreciation/ Amortization of intangibles		31,347	18,943
Total Expenditure		1,944,119	2,098,081
Profit/ (Loss)before tax		56,956	(23,423)
Less: Income tax expense/ (benefit)	14	18,159	(7,535)
Profit after taxation carried forward		38,797	(15,888)

Notes to accounts

15

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for A. Ramchandra Rao & Co.
Chartered Accountants

for Dr. Reddy's Laboratories (UK) Limited

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Vishwanatha R Bonthu
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
1000 equity shares of GBP 1 each	70	70
Issued, Subscribed and paid-up		
1000 equity shares of GBP 1 each (Held by Dr. Reddy's Laboratories (EU) Limited)	70	70
TOTAL	70	70
Schedule 2 : Reserves and surplus		
<u>Profit and Loss account :</u>		
Opening balance	144,187	160,075
Add : Profit/ (loss) for the year	38,797	(15,888)
Closing Balance	182,984	144,187
Foreign Currency Translation Reserve	28,560	28,557
TOTAL	211,544	172,744
Schedule 3 : Unsecured loans		
Borrowings - Others	-	-
Borrowings - IU	77,927	66,099
TOTAL	77,927	66,099
Schedule 5 : Inventories		
Stores and spares	14,628	10,437
Raw-materials	2,793	2,872
Work-in-process	12,943	40,678
Finished goods	106,895	87,526
TOTAL	137,259	141,513
Schedule 6 : Sundry debtors (Unsecured)		
Debts out standing for period exceeding six months		
- Considered good	388,780	378,810
- Considered doubtful	9,798	621
	398,578	379,431
Less: Provision for doubtful debts	9,798	621
TOTAL	388,780	378,810
Schedule 7 : Cash and bank balances		
Cash on hand	64	55
Balance with non-scheduled banks		
On current accounts	181,578	138,498
On deposit accounts	-	-
TOTAL	181,642	138,553

Schedules to Balance Sheet (Contd.)

Schedule - 4 : Fixed Assets (All amounts in Indian Rupees thousands, except share data)

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2009	Additions	Deletions	As at 31.03.2010	As at 01.04.2009	For the year	Deletions	Forex	As at 31.03.2010	As at 31.03.2009
Land	15,262	-	-	15,262	-	-	-	-	15,262	15,262
Intangibles	38,861	-	-	38,861	31,860	7,642	-	(641)	38,861	7,001
Plant & Machinery	110,290	5,857	-	116,147	68,593	10,693	-	(1,093)	78,194	41,697
Computer Equipment	19,336	412	-	19,748	15,411	2,384	-	(244)	17,551	3,925
Office Furniture & Fittings	14,462	2,595	-	17,057	8,254	2,481	-	(254)	10,481	6,208
Tenants Improvements	17,376	-	-	17,376	6,484	3,629	-	(371)	9,742	10,892
Land & Buildings	122,251	-	-	122,251	13,979	4,518	-	(462)	18,036	108,271
Total	337,838	8,665	-	346,702	144,581	31,347	-	(3,063)	172,865	173,837
Previous Year	318,979	49,171	-	337,838	139,889	18,943	-	(14,251)	144,581	179,095

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 8 : Loans and advances		
(Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	18,899	28,879
Advance tax (net of provision for current taxes)	9,934	1,087
Other Current Assets	44,685	32,381
TOTAL	73,518	62,347
Schedule 9 : Current Liabilities		
Sundry creditors	508,312	493,397
Accrued Expenses	80,452	76,885
Others Current Liabilities	28,196	60,956
Tax Provison	28,726	7,726
TOTAL	645,686	638,964

Schedules to the Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 10 : Other income		
<i>Interest income</i>	126	5,050
Profit on sale of fixed assets		
Income from redemption of mutual fund units		
Forex Gain	3,730	42,540
Miscellaneous income	32,061	27,880
TOTAL	35,917	75,470
Schedule 11 : Material costs		
<i>(a) Raw materials consumed :</i>		
Opening Stock of raw materials	2,872	-
<i>Add:</i> Purchases	1,205,128	1,096,524
<i>Less:</i> Closing stock	2,793	2,872
	1,205,207	1,093,652
<i>(b) Purchase of traded goods</i>	-	143,747
TOTAL	1,205,207	1,237,399
Schedule 12 : Personnel costs		
Salaries, wages and bonus	298,203	280,204
Contribution to provident and other funds	1,175	394
Workmen and staff welfare expenses	551	630
TOTAL	299,929	281,228

Schedules to the Profit and Loss Account (Contd.)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 13 : Operating and other expenses		
Power and fuel	4,109	2,450
Repairs and maintenance		
Buildings	10	47
Plant and machinery	2,898	4,557
Others	34,027	22,928
Rent	46,129	49,745
Rates and taxes	2,518	8,633
Insurance	5,592	6,114
Travelling and conveyance	28,198	35,575
Communication	10,844	12,647
Other selling expenses	24,814	24,179
Printing and stationery	4,602	5,379
Provision for bad and doubtful debts	9,987	-
Interest expense	465	-
Auditors' remuneration	578	641
Legal and professional	167,431	316,876
Bank charges	479	515
Lab Expenses	11,491	11,925
Vehicle Charges	3,166	2,573
Shipping Costs	22,014	20,041
Sundry expenses	28,284	35,686
TOTAL	407,636	560,511
Schedule 14: Provision for taxation		
Current taxes	21,446	229
Deferred taxes	(3,287)	(7,764)
TOTAL	18,159	(7,535)

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 15: Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Research and development

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on research and development having alternative uses is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

d) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office furniture & fittings	4 to 8
Office machinery & equipment	4 to 8
Computer equipment	3

Tenants improvements is being amortised over the primary period of the lease.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

e) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	<u>Years</u>
Intangibles	6-10

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

g) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

h) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

i) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from sale of products is stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

k) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

l) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Deferred taxation

Deferred tax liability, net included in the balance sheet comprises the following:

(Rs. thousands)

	As at 31 March 2010	As at 31 March 2009
Deferred tax asset/ (liability)		
Sundry Debtors	(16,061)	(291)
Provisions	(2,264)	(2,415)
Inventory	1,340	(934)
Others Current Assets	-	(14,833)
Current Liabilities	(4,204)	(3,486)
Depreciation	27,017	25,010
Deferred tax asset/ (liability), net	Rs. 5,828	Rs. 3,051

3. Related party disclosures

a. The Company has following amounts due from/ to related parties:

Particulars	(Rs. thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Dr. Reddy's Laboratories Ltd.	477,693	-
Reddy Cheminor SA	-	144
Dr. Reddy's Laboratories (EU) Limited	-	65,954
ii. Due to related parties (included in Creditors):		
Dr. Reddy's Laboratories Ltd.	1,248	480,663
Dr. Reddy's Laboratories (EU) Ltd.	76,679	-
iii. Due from related parties (included in Advances):		
Dr. Reddys Pharma Iberia SA.	-	3,765
Dr. Reddy's Laboratories Ltd.	1,601	-
Dr. Reddy's SRL	15,698	-
iv. Due from related parties (included in Debtors):		
betapharm Arzneimittel GmbH.	8,774	2,429
Dr. Reddy's Laboratories SA	1,390	-

4. Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in United Kingdom, is a 100% subsidiary of Dr. Reddy's Laboratories (EU) Limited. Dr. Reddy's Laboratories (EU) Ltd., incorporated in United Kingdom, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	65	(169)
Balance Brought forward	(169)	-
Balance Carried forward to Balance Sheet	(104)	(169)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Manishmukund Joshi
Director

Place : Hyderabad
Date : 04/05/2010

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Laboratories ILAC TICARET as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the profit and loss account, of the profit/ loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	162	162
		162	162
		162	162
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances	2	58	60
		58	60
Current liabilities and provisions			
Current liabilities	3	-	67
		-	67
Net current assets		58	(7)
Profit & Loss Account		104	169
		162	162

Notes to accounts

5

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for A. Ramachandra Rao & Co.
Chartered Accountants

for Dr. Reddy's Laboratories ILAC TICARET

A. Ramachandra Rao
Partner
Membership No.9750

Manishmukund Joshi
Director

Place : Hyderabad
Date : 04/05/2010

Profit & Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		-	-
Other income		-	-
		-	-
Expenditure			
Personnel costs		-	-
Operating and other expenses	4	(65)	169
		(65)	169
Profit for the year		65	(169)
Balance in profit and loss account brought forward		(169)	-
Balance in profit and loss account carried forward		(104)	(169)
Notes to accounts	5		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's Laboratories ILAC TICARET**

A. Ramachandra Rao
Partner
Membership No.9750

Manishmukund Joshi
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
Authorised capital - TRL 5,000	63,400	63,400
Issued, Subscribed and paid-up		
Paid-up TRL 5,000	162	162
	162	162
Schedule 2 : Cash and Bank Balances		
Balance with Non-Scheduled Banks	-	-
Balance with Scheduled Banks	58	60
	58	60
Schedule 3 : Current Liabilities and Provisions		
Other Liabilities	-	67
	-	67
Schedule 4: Operating and Other Expenses		
Bank Charges	-	-
Legal and Professional Charges	-	141
Exchange Loss	-	28
Other General Expenses	(65)	-
	(65)	169

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 5 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

e) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2010.

3. The Company, incorporated under the laws of Turkey, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results:

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(512,746)	(205,828)
Balance Brought forward	(205,828)	-
Balance Carried forward to Balance Sheet	(718,574)	(205,828)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad

Date : 04/05/2010

G V Prasad

Director

Satish Reddy

Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s Dr. Reddy's Laboratories Louisiana LLC as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital*		-	-
*No concept of share capital in this company			
Reserves & Surplus	1	1,112,017	1,805,855
		1,112,017	1,805,855
Loan funds			
Unsecured loans	2	267,612	109,460
		267,612	109,460
Total		1,379,629	1,915,315
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	1,575,759	1,750,046
Less: Accumulated depreciation		497,439	159,679
Net block		1,078,320	1,590,367
Capital work-in-progress (including capital advances)		81,691	11,833
		1,160,011	1,602,200
Current assets, loans and advances			
Inventories	4	331,165	274,936
Sundry debtors	5	65,234	201,520
Cash and bank balances	6	32,878	21,977
Loans and advances	7	218	37,664
		429,495	536,097
Current liabilities and provisions			
Current liabilities	8	209,877	222,982
		209,877	222,982
Net current assets		219,618	313,115
		1,379,629	1,915,315
Notes to accounts	13		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Reddy's Laboratories Louisiana LLC**

A. Ramachandra Rao
Partner
Membership No.9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Profit & Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		1,474,784	1,841,924
Other income	9	7,275	60
		1,482,059	1,841,984
Expenditure			
Material costs	10	745,884	918,907
Conversion charges		7,292	9,096
Personnel costs	11	623,013	616,965
Operating and other expenses	12	243,893	354,471
Amortisation of intangibles		310,059	90,672
Depreciation		64,664	57,701
		1,994,805	2,047,812
Profit/ (loss) for the year		(512,746)	(205,828)
Balance in profit and loss account brought forward		(205,828)	-
Balance in profit and loss account carried forward		(718,574)	(205,828)

Notes to Accounts 13

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Reddy's Laboratories Louisiana LLC**

A. Ramachandra Rao
Partner
Membership No.9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1: Reserves & Surplus		
Foreign currency translation reserve	210,191	391,281
Profit and Loss a/c	(718,574)	(205,828)
Securities Premium	1,620,400	1,620,400
	1,112,017	1,805,853
Schedule 2: Unsecured Loans		
Borrowing - IU	267,612	109,460
	267,612	109,460
Schedule 4: Inventories		
Stores and spares	63,581	52,383
Raw materials	136,315	85,855
Work-in-process	67,987	91,174
Finished goods	63,282	45,524
	331,165	274,936
Schedule 5: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
- Considered good	62,587	201,265
Other Current assets	2,647	255
	65,234	201,520
Schedule 6: Cash and bank balances		
Balances with banks		
- On current accounts	32,878	21,977
	32,878	21,977
Schedule 7: Loans and advances (Unsecured)		
<i>Considered good</i>		
Advances recoverable in cash or in kind or for value to be received	218	37,664
	218	37,664
Schedule 8: Current Liabilities		
Sundry creditors	93,850	70,473
Other Liabilities	37,929	41,172
Accrued Expences	78,098	111,337
	209,877	222,982

Schedules to Balance Sheet (Contd.)

Schedule - 3 : Fixed Assets		(All amounts in Indian Rupees thousands, except share data)											
		Gross Block at Cost					Depreciation					Net Block	
Description	01.04.2009	Acqui- sitions	Addi- tions	Dele- tions	Forex	31.03.2010	01.04.2009	For the Year	Deletions	Forex	31.03.2010	31.03.2010	31.03.2009
Land	34,989	-	-	-	(4,015)	30,974	-	-	-	-	30,974	34,989	
Buildings	424,780	-	-	-	(48,743)	376,037	15,595	15,889	-	(2,637)	28,847	347,190	409,185
Plant & Machinery	445,444	-	24,189	-	(51,114)	418,519	40,657	42,012	-	(6,909)	75,760	342,759	404,787
Computers & Software	9,072	-	52	-	(1,041)	8,083	2,648	2,838	-	(455)	5,031	3,052	6,424
Laboratory Equipment	-	-	2,306	-	-	2,306	-	138	-	(7)	131	2,175	-
Furniture & Fixtures	40,380	-	8	28	(4,633)	35,727	3,665	3,786	4	(621)	6,826	28,901	36,715
Customer Contracts	405,760	-	-	-	(46,560)	359,200	48,103	251,278	-	(20,194)	279,187	80,113	-
Goodwill	191,813	-	-	-	(22,010)	169,803	17,583	17,805	-	(2,842)	32,546	137,257	174,230
Patents, Trademarks	25,360	-	-	-	(2,910)	22,450	13,844	9,358	-	(752)	22,450	-	11,516
Intangibles (others)	172,448	-	-	-	(19,788)	152,660	17,584	31,618	-	(2,541)	46,661	105,999	154,864
Total	1,750,046	-	26,555	28	(200,814)	1,575,759	159,679	374,722	4	(36,958)	497,439	1,078,320	1,590,367
Previous year	-	1,390,876	8,582	-	350,588	1,750,046	-	148,373	-	11,306	159,679	1,590,367	

Schedules to Profit and Loss Account

All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
SSchedule 9: Other income		
Miscellaneous income	7,275	60
	7,275	60
Schedule 10 : Material costs		
Opening Stock of raw materials	-	
Raw materials purchased/ consumed	724,962	332,346
Less: Closing stock	-	-
Add: Purchase of traded goods	20,922	586,561
TOTAL	745,884	918,907
Schedule 11: Personnel costs		
Salaries, wages and bonus	543,171	564,093
Contribution to provident and other funds	63,313	38,560
Workmen and staff welfare expenses	16,529	14,312
	623,013	616,965
Schedule 12: Operating and other expenses		
Power and fuel	42,469	47,766
Rates and taxes	28,041	25,807
Repairs and maintenance		
- Buildings	2,411	181
- Plant and machinery	43,904	74,264
- Others	58,669	64,906
Insurance	5,092	16,036
Travelling and conveyance	6,302	8,784
Communication	4,617	3,341
Lab expenses	27,894	17,755
Other selling expenses	133	450
Printing and stationery	4,291	4,751
Legal and professional charges	(1,156)	72,950
Donations	223	371
Bad debts written-off	5,176	-
Loss on sale of assets	13	-
Exchange loss/ (gain), net	34	-
Bank charges	20	20
Sundry expenses	15,760	17,089
	243,893	354,471

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 13 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from sale of products is stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

e) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Related party Disclosures:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Due from related parties (included in advances)		
Dr. Reddy's Laboratories Inc.	-	37,663
Dr. Reddy's Laboratories Limited	208	-
ii. Due to related parties (included in Borrowings)		
Dr. Reddy's Laboratories Inc.	267,612	109,460
iii. Due to related parties (included in Creditors)		
Dr. Reddy's Laboratories Inc.	-	735
Dr. Reddy's Laboratories Limited	55,619	-
iv. Due from related parties (included in Debtors)		
Dr. Reddy's Laboratories Inc.	17,568	-

3. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2010.

4. The Company, incorporated in USA, is a wholly owned subsidiary of Dr. Reddy's Laboratories Inc., by virtue of 100% holding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	3,048,464	1,953,149
Balance Brought forward	1,890,344	(62,805)
Balance Carried forward to Balance Sheet	4,938,808	1,890,344

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

G.V. Prasad
Director

Satish Reddy
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Laboratories S.A. as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
Shareholders' funds			
Share capital	1	2,951,200	3,522
Share Application Money pending allotment		-	2,947,679
Reserves & Surplus	2	4,487,646	1,723,283
		7,438,846	4,674,484
Loan funds			
Unsecured loans	3	2,111,575	1,570,943
		2,111,575	1,570,943
		9,550,421	6,245,427
APPLICATION OF FUNDS			
Fixed assets			
Gross block (Intangibles)		54,972	-
Less: Accumulated depreciation		-	-
Net block		54,972	-
Investments	4	2,019,637	2,007,188
Current assets, loans and advances			
Inventories	5	469,690	378,462
Sundry debtors	6	5,235,588	3,122,859
Cash and bank balances	7	643,481	77,801
Loans and advances	8	2,948,044	2,217,931
		9,296,803	5,797,053
Current liabilities and provisions			
Current liabilities	9	1,820,999	1,558,822
		1,820,999	1,558,822
Net current assets		7,475,804	4,238,231
Deferred tax assets		8	8
		9,550,421	6,245,427
Notes to accounts	16		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's Laboratories SA**

A. Ramachandra Rao
Partner
Membership No. 9750

G.V. Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Profit & Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		8,649,465	3,023,460
Other income	10	145,106	1,716,229
		8,794,571	4,739,689
Expenditure			
Material costs	11	3,572,981	1,133,118
Personnel costs	12	519,792	218,231
Operating and other expenses	13	1,162,013	1,128,832
Research and development expenses		123,554	91,756
Finance charges	14	23,395	36,509
		5,401,735	2,608,446
Profit before taxation		3,392,836	2,131,243
Provision for tax	15		
- Current tax		344,372	171,727
- Deferred tax expense/ (benefit)		-	6,367
Profit for the year		3,048,464	1,953,149
Balance in profit and loss account brought forward		1,890,344	(62,805)
Balance in profit and loss account carried forward		4,938,808	1,890,344

Notes to accounts

16

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's Laboratories SA**

A. Ramachandra Rao
Partner
Membership No. 9750

G.V. Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
Authorised capital 75,640,410 shares of CHF 1 each	2,951,200	3,522
Issued, Subscribed and paid-up		
Issued capital 75,640,410 shares of CHF 1 each	2,951,200	3,522
	2,951,200	3,522
Schedule 2: Reserves & Surplus		
Profit and Loss a/c	4,938,808	1,890,348
Foreign currency translation reserve	(451,162)	(167,065)
	4,487,646	1,723,283
Schedule 3: Unsecured Loans		
Borrowing - IU	2,111,575	1,570,943
Other unsecured loans from banks	-	-
	2,111,575	1,570,943
Schedule 4: Investments (Long term at cost)		
Investments in subsidiaries	2,019,637	2,007,188
	2,019,637	2,007,188
Schedule 5: Inventories		
Raw materials	106,153	203,095
Finished goods	363,537	175,367
	469,690	378,462
Schedule 6: Sundry debtors (Unsecured)		
Other debts		
- Considered good	5,235,588	3122859
	5,235,588	3122859
Schedule 7: Cash and bank balances		
Balances with banks		
- On current accounts	643,481	77,801
	643,481	77,801

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 8: Loans and advances (Unsecured)		
Advances recoverable in cash or in kind or for value to be received	2,851,620	2,199,355
Advance tax (net of provision for current taxes)	62,866	4,493
Balances with statutory authorities	129	2
	2,914,615	2,203,850
Other Current assets	33,429	14,081
	2,948,044	2,217,931
Schedule 9: Current Liabilities		
Sundry creditors	1,119,243	1,131,133
Sundry creditors for expenses	-	49,257
Income Tax Payable	495,995	176,439
Other Liabilities	205,761	201,993
	1,820,999	1,558,822

Schedules to Profit and Loss Account

All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 10: Other income		
Interest income	52,841	98,858
Exchange gain	-	6,257
Miscellaneous income	92,265	1,611,114
	145,106	1,716,229
Schedule 11 : Material costs		
Purchase of traded goods	36,772,291	37,223,963
TOTAL	3,572,981	1,133,118
Schedule 12: Personnel costs		
Salaries, wages and bonus	497,348	185,972
Workmen and staff welfare expenses	22,444	32,259
	519,792	218,231
Schedule 13: Operating and other expenses		
Rent	43,955	16,757
Rates and taxes	(2,712)	39,682
Repairs and maintenance	-	19,177
Insurance	86,699	9,152
Travelling and conveyance	104,945	33,555
Communication	19,352	10,917
Advertisements	29,989	15,904
Other selling expenses	490,770	163,713
Printing and stationery	1,349	208
Legal and professional charges	61,651	149,326
Bad debts written-off	-	57,695
Commission on Sales	75,038	-
Auditors' remuneration	4,028	344
Conversion Charges	-	542,452
Exchange loss	141,896	-
Bank charges	3,502	4,324
Sundry expenses	101,551	65,626
	1,162,013	1,128,832

Schedules to Profit and Loss Account (Contd.)

All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 14: Finance charges		
Interest on loans	23,395	36,509
	23,395	36,509
 Schedule 15: Provision for tax		
Current taxes	344,372	171,727
Deferred taxes	-	6,367
	344,372	178,094

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 16 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded)	Cost of purchase
-------------------------	------------------

d) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Computer equipment	3
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the Profit and Loss Account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisations of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

h) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Deferred taxation

Deferred tax liability, net included in the balance sheet comprises the following:

Deferred tax Assets	As at 2009-10	As at 2008-09
Other current assets	8	8
Net Tax Asset	8	8

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2010.

3. Related Party Disclosures:

Particulars	As at 31 March 2010	As at 31 March 2009
i. Dues from related Parties (included in Advances)		
Dr. Reddy's Laboratories Ltd.	192,555	338,321
Dr. Reddy's Pharma Iberia SA	332,489	269,760
Dr. Reddy's Laboratories Inc.	-	253,600
Industrias Quimicas Falcon de Mexico, S.A.	-	86,323
Dr. Reddy's Laboratories (EU) Limited	599,583	675,781
Reddy Antilles N.V.	11,283	12,744
Reddy Netherlands BV	3,702	2,360
Lacock Holdings Limited	769,566	560,212
Reddy Holdings GmbH	845,188	-
Eurobridge Consulting B.V.	3,698	-
ii. Due to related parties (included in Borrowings) :		
Dr. Reddy's Laboratories Ltd.	2,111,575	1,456,616
Dr. Reddy's Laboratories Inc	-	50,498
Dr. Reddy's Laboratories (EU) Limited	-	63,429
Dr. Reddy's New Zealand Limited	-	401
iii. Due from related parties (included in Debtors)		
Dr. Reddy's Laboratories Ltd.	1,692,915	1,704,309
OOO Dr. Reddy's Laboratories Limited	1,558,486	915,073
Dr. Reddy's New Zealand Limited	56,843	60,191
iv. Due to related parties (included in Creditors)		
Dr. Reddy's Laboratories Ltd.	1,034,663	852,684
Dr. Reddy's Laboratories Inc.	-	172,846
Industrias Quimicas Falcon de Mexico, S.A.	84,671	106,593
Dr. Reddy's Laboratories (U.K.) Limited	1,390	-

4. The Company incorporated in the Switzerland, is a 100% subsidiary of Dr. Reddy's Laboratories Ltd. by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	11,578	(3,339)
Balance Brought forward	(8,630)	(5,291)
Balance Carried forward to Balance Sheet	2,948	(8,630)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

Raghu Cidambi
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's New Zealand Limited as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Companies Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner

Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	328	328
Reserves & Surplus	2	83,855	59,868
		84,183	60,196
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	81,783	69,296
Less: Accumulated depreciation		43,422	16,690
Net block		38,361	52,606
Capital work-in-progress (including capital advances)		-	-
		38,361	52,606
Investments		-	-
Current assets, loans and advances			
Inventories	4	66,889	59,520
Sundry debtors	5	35,636	29,386
Cash and bank balances	6	18,566	45,621
Loans and advances	7	23,753	23,713
		144,844	158,240
Current liabilities and provisions			
Current liabilities	8	99,053	150,733
		99,053	150,733
Net current assets		45,791	7,507
Deferred tax assets		31	83
		84,183	60,196
Notes to accounts	15		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's New Zealand Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Raghu Cidambi
Director

Place : Hyderabad
Date : 04/05/2010

Profit & Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		351,232	140,907
Other income	9	327	3,188
		351,559	144,095
Expenditure			
Material costs	10	241,892	96,719
Personnel costs	11	17,558	11,738
Operating and other expenses	12	37,735	21,060
Amortisation of intangibles		26,470	15,402
Finance charges	13	34	48
Depreciation		321	312
		324,010	145,279
Profit before taxation		27,549	(1,184)
Provision for tax			
- Current tax	14	15,910	2,233
- Deferred tax expense/ (benefit)		61	(78)
Profit for the year		11,578	(3,339)
Balance in profit and loss account brought forward		(8,630)	(5,291)
Balance in profit and loss account carried forward		2,948	(8,630)
Notes to Accounts	15		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's New Zealand Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Raghu Cidambi
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1: Share capital		
Authorised		
Authorised capital 10,000 shares of NZD 1 each	328	328
Issued, Subscribed and paid-up		
Authorised capital 10,000 shares of NZD 1 each (Held by Dr.Reddy's Laboratories SA)	328	328
	328	328
Schedule 2: Reserves & Surplus		
Share Premium	80,907	68,499
Profit and Loss Account	2,948	(8,630)
	83,855	59,869
Schedule 4: Inventories		
Finished goods	66,889	59,520
	66,889	59,520
Schedule 5: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months - Considered good	35,636	29,386
	35,636	29,386
Schedule 6: Cash and bank balances		
Cash in hand	6	3
Balances with Scheduled banks	18,560	23,202
Balances with Non-Scheduled banks	-	22,416
	18,566	45,621
Schedule 7: Loans and advances (Unsecured)		
<i>Considered good</i>		
Advances recoverable in cash or in kind or for value to be received	531	711
Advance tax (net of provision for current taxes)	10,906	293
Balances with statutory authorities	12,316	22,709
	23,753	23,713

Schedules to Balance Sheet (Contd.)

Schedule - 3 : Fixed Assets

(All amounts in Indian Rupees thousands, except share data)

	Gross Block						Depreciation				Net Block	
	01.04.2009	Additions	Deletions	Forex	31.03.2010	01.04.2009	For the Year	Deletions	Forex	31.03.2010	31.03.2010	31.03.2009
Furniture & Fixtures	288	101	-	-	389	80	44	-	-	124	265	208
Office equipment	861	386	344	-	903	503	277	176	-	604	299	358
Intangibles	68,147	12,344	-	-	80,491	16,107	26,470	-	117	42,694	37,797	52,040
Total	69,296	12,831	344	-	81,783	16,690	26,791	176	117	43,422	38,361	52,606
Previous Year	66,123	-	-	3,173	69,296	261	15,714	-	715	16,690	52,606	

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 8: Current Liabilities		
Sundry creditors	63,412	115,518
Accrued expenses	809	1,158
Other Liabilities	34,832	34,057
	99,053	150,733

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 9: Other income		
Interest on fixed deposits	327	845
Exchange gain, net	-	2,278
Miscellaneous income	-	65
	327	3,188
Schedule 10 : Material costs		
Opening Stock of raw materials	-	-
Raw materials purchased/ consumed	241,892	96,719
TOTAL	241,892	96,719
Schedule 11: Personnel costs		
Salaries, wages and bonus	15,985	11,084
Contribution to provident and other funds	541	268
Workmen and staff welfare expenses	1,032	386
	17,558	11,738

Schedules to Profit and Loss Account (Contd.)

(All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 12: Operating and other expenses		
Rent	1,753	1,445
Rates and taxes	176	81
Insurance	255	130
Travelling and conveyance	1,687	4,556
Communication	1,349	1,255
Other selling expenses	22,735	10,031
Printing and stationery	191	126
Legal and professional charges	1,100	199
Auditors' remuneration	543	456
Exchange loss/ (gain), net	2,933	-
Bank charges	89	21
Sundry expenses	4,924	2,760
	37,735	21,060
Schedule 13: Finance charges		
Interest on loans	34	48
Other finance charges	-	-
	34	48
Schedule 14 : Provision for tax		
Current taxes	15,910	2,233
Deferred taxes	61	(78)
	15,971	2,155

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 15 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

d) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

e) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date not covered by forward exchange contracts are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

f) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

g) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
Current Liabilities	31	83
Deferred Tax Asset, net	<u>31</u>	<u>83</u>

3. Related party Disclosures

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i) Due to related parties (included in Advances): Dr. Reddy's Laboratories SA	-	412
ii) Due to related parties (included in Creditors): Dr. Reddy's laboratories Limited	-	53,694
Dr. Reddy's Laboratories SA	56,843	60,191

4. The Company incorporated in the New Zealand, is a 100% subsidiary of Dr. Reddy's Laboratories SA., which is a 100% subsidiary of Dr. Reddy's Laboratories Ltd. by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present you the 1st Annual Report for the financial year 2009-10 of the Company.

Financial Highlights

Particulars	31 March 2010
Profit/ (Loss) for the period	(175)
Balance carried forward	-
Balance Carried Forward to Balance Sheet	(175)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2010.

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Auditors

The Statutory Auditors of the Company M/s. Ramachandra & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Board of Directors recommends reappointment of M/s. Ramachandra & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2010-11 for shareholders' approval.

Directors

Mr. G.V. Prasad, retire by rotation at the ensuing 1st Annual General Meeting and is eligible for re-appointment, subject to the approval of the members in the ensuing 1st Annual General Meeting of the Company.

Conservation of energy, research and developments, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended. Hence the relevant provisions are not applicable to the company.

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the company during the year.

For and on behalf of the board

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Pharma SEZ Limited as at 31 March, 2010 and the Profit & Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2004 issued by the Ministry of Finance (Department of Company Affairs, New Delhi dated 12.06.03) in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
 - (c) the Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, along with the notes annexed hereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2010; and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in paragraph 1 of the Auditors' report to the Members of M/s. Dr. Reddy's Pharma SEZ Limited for the year ended 31 March 2010. We report as required under paragraph 4 that:

- i. (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has a regular program of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets;
- ii. (a) The Company does not have any inventories and as such verification of stocks does not arise;
- (b) In view of the above, the clauses 4(ii)(b) and 4(ii)(c) are not applicable to the company;
- iii. (a) The Company has not granted nor taken loans, secured or unsecured to or from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, during the year;
- (b) In view of the above, the clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) are not applicable to the company;
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of the business for the purchase of fixed assets. The company does not have any purchase of inventory and sale of goods. There is no continuing failure to correct major weaknesses in internal control;
- v. (a) According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of Section 301 of the Act.
- (b) In view of the above the clause 4(v)(b) is not applicable to the company;
- vi. In our opinion and according to the explanations given to us, the Company has not accepted any deposits from the public. Therefore, the directives issued by RBI and the provision of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed thereunder do not apply;
- vii. In our opinion, the Company has in general an adequate internal audit system commensurate with the size and nature of its business;
- viii. According to the information and explanations given to us, the maintenance of Cost record has not been prescribed by the Central Government, under Section 209(1)(d) of the Companies Act, 1956 to the Company;
- ix. (a) According to the information and explanations given to us, the Company is regular in depositing the undisputed statutory dues including Income Tax and Wealth Tax and any other statutory dues with the appropriate authorities. We have been informed that the provisions of Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Sales tax, Customs duty, Excise duty and cess are not applicable to the company;

- (b) According to the information and explanations given to us, there are no dues of income tax or wealth tax remaining to be deposited on account of any dispute.
- x. Since the company has been registered for a period less than 5 years, in our opinion, the clause 4(x) does not apply;
- xi. According to the information and explanations given to us, the company has no dues to a financial institution or bank or debenture holders;
- xii. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the requirement as to maintenance of documents and records does not apply;
- xiii. The Company is not a chit fund or nidhi or mutual benefit fund or society, and hence the provisions of any special statute does not apply;
- xiv. The company is not dealing or trading in shares, securities, debentures and other investments and hence maintenance of records regarding the same does not apply;
- xv. According to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from bank or financial institutions;
- xvi. According to the information and explanations given to us, the Company has not obtained any term loan;
- xvii. In our opinion and according to the information and explanations given to us, the funds raised on short term basis have not been used for long term investment or vice versa;
- xviii. In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prejudicial to the interest of the company;
- xix. According to the information and explanations given to us, the Company has not issued any debentures and hence the question of creation of security for the same does not arise;
- xx. According to the information and explanations given to us, the Company has not made public issue during the year of audit;
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year;

For **A. Ramachandra Rao &Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2010
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	1	500
		500
APPLICATION OF FUNDS		
1. Fixed assets		
Gross block		-
Less: Depreciation		-
Net block		-
2. Current Assets & Liabilities		
A. Current Assets		500
B. Less: Current Liabilities & Provisions		175
Net current Assets		325
Profit & Loss Account		175
Total		500

Notes to accounts 2

Schedules 1 and 2 are an integral part of this Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's Pharma SEZ Limited**

A. Ramachandra Rao
Partner
Membership No.9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Profit & Loss Account for the period ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2010
I. INCOME		
Miscellaneous Income		-
II. EXPENDITURE		
Preliminary Expenses		175
Depreciation		-
		175
Profit/ (Loss) for the year		(175)
Transferred to Balance Sheet		(175)
Earnings per share		
Basic- Par value Rs.10 per share		(0.004)
Diluted- Par value Rs.10 per share		(0.004)

Notes to Accounts:

2

Schedule 2 form an integral part of this Profit & Loss Account and should be read in conjunction therewith.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's Pharma SEZ Limited**

A. Ramachandra Rao
Partner
Membership No.9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

**As at
31 March 2010**

**Schedule : 1
Share capital**

Authorised

1,000,000 Equity Shares of Rs.10/- each

10,000

Total

10,000

Issued, Subscribed and paid-up

50,000 (previous year: Nil) Equity Shares of Rs.10/- each

500

500

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 2 : Notes to Accounts

Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

Significant Accounting Policies

- 1) Fixed Assets are stated at historical cost less depreciation.
Depreciation has been calculated at rates prescribed under straight-line method in Schedule XIV of the Companies Act, 1956.
- 2) Additional Information pursuant to clause 4C and 4D of part II Schedule VI to the Companies Act, 1956 is not required to be furnished.
- 3) Previous year's figures are regrouped wherever necessary.

4) Earnings per share:	2009-10
Net profit/ (loss) for the year (Rs. thousands)	(175)
Weighted average number of equity shares outstanding during the year - Basic	50,000
Weighted average number of equity shares outstanding during the year - Diluted	50,000
Basic Earnings per share	(0.004)
Diluted Earnings per share	(0.004)

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(Rs. in Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(161,426)	(207,235)
Balance Brought forward	(204,479)	2,756
Balance Carried forward to Balance Sheet	(365,905)	(204,479)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 2008, the Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under review, Mr. V.S. Vasudevan has resigned as Director from the Board of Directors of the Company.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board

Sameer Natu
Director

Stanislao Carlo Caputo
Director

Place : Hyderabad
Date : 04/05/2010

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's SRL as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the profit/loss for the year ended on that date.

For **A. Ramachandra Rao &Co.**
Chartered Accountants

Place : Hyderabad
Date : 04/05/2010

A. Ramachandra Rao
Partner
Membership No: 9750

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	6,234	6,234
Reserves & Surplus	2	32,395	(3,086)
Loan funds			
Unsecured loans	3	378,413	246,155
TOTAL		417,042	249,303
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	115,505	116,379
Less: Accumulated depreciation		82,600	77,638
Net block		32,905	38,741
Capital work-in-progress (including capital advances)		-	-
		32,905	38,741
Current assets, loans and advances			
Inventories	5	48,003	28,549
Sundry debtors	6	71,261	58,737
Cash and bank balances	7	21,176	27,443
Loans and advances	8	19,879	30,489
		160,319	145,218
Current liabilities and provisions			
Current liabilities	9	142,087	139,135
Provisions		-	-
		142,087	139,135
Net current assets		18,232	6,083
Profit and Loss Account		365,905	204,479
		417,042	249,303

Notes to accounts 14

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's SRL**

A. Ramachandra Rao
Partner
Membership No.9750

Sameer Natu
Director

Stanislao Carlo Caputo
Director

Place : Hyderabad
Date : 04/05/2010

Profit & Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		123,187	92,036
Other income		2	-
		123,189	92,036
Expenditure			
Material Costs	10	65,822	98,562
Personnel costs	11	35,795	32,366
Operating and other expenses	12	168,525	150,167
Finance Charges	13	-	1
Amortisation of Intangibles		14,024	18,052
Depreciation		449	123
		284,615	299,271
Profit for the year		(161,426)	(207,235)
Balance in profit and loss account brought forward		(204,479)	2,756
Balance in profit and loss account carried forward		(365,905)	(204,479)

Notes to accounts

14

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Dr. Reddy's SRL**

A. Ramachandra Rao
Partner
Membership No.9750

Sameer Natu
Director

Stanislao Carlo Caputo
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
Authorised capital *		
99,000 shares EUR 1 each	6,234	6,234
Issued, Subscribed and paid-up		
99,000 shares EUR 1 each	6,234	6,234
	6,234	6,234
Schedule 2: Reserves & Surplus		
Foreign Currency Translation Reserve	32,395	(3,086)
Securities Premium	-	-
	32,395	(3,086)
Schedule 3: Unsecured Loans		
Borrowings - IU	378,413	246,155
	378413	246155
Schedule 5: Inventories		
Finished goods	48,003	28,549
	48,003	28,549
Schedule 6: Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	71,261	58,737
Considered doubtful	5,681	3,091
	76,942	61,828
<i>Less:</i> Provision for doubtful debts	5,681	3,091
	71,261	58,737
Schedule 7: Cash and Bank Balances		
Balances with banks		
On current accounts	21,176	27,443
	21,176	27,443
Schedule 8: Loans & Advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	670	204
Balances with statutory authorities	11,060	21,622
Other Current Assets	8,149	8,663
	19,879	30,489

Schedules to Balance Sheet (Contd.)

Schedule - 4 : Fixed Assets (All amounts in Indian Rupees thousands, except share data)

	Gross Block					Depreciation				Net Block	
	As at 1-4-2009	Acquisition	Additions	Deletions	Forex	As at 31.03.2010	For the Year	Deletions	Forex	As at 31.03.2010	As at 31.03.2009
Computers & Software	920	-	303	-	(95)	1,128	449	-	(60)	553	756
Product related intangible	106,764	-	10,881	-	(11,062)	106,583	13,941	-	(9,395)	75,280	36,030
Other Intangibles	8,695	-	-	-	(901)	7,794	83	-	(56)	6,767	1,955
Total	116,379	-	11,184	-	(12,058)	115,505	14,473	-	(9,511)	82,600	38,741
Previous year	-	49,642	66,422	-	315	116,379	18,175	-	59,463	77,638	-

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 9: Current Liabilities		
Sundry creditors	113,691	86,357
Accrued expenses	28,396	4,214
Other Liabilities	-	48,564
	142,087	139,135
Schedule 10: Material costs		
Raw materials purchased/ consumed	65,822	98,562
TOTAL	65,822	98,562
Schedule 11: Personnel costs		
Salaries, wages and bonus	35,795	32,366
	35,795	32,366
Schedule 12: Operating and Other Expenses		
Rent	1,126	3,345
Insurance	-	141
Travelling and conveyance	9,854	9,288
Communication	2,198	2,024
Commission on sales	35,013	19,826
Other selling expenses	33,654	7,795
Legal and professional charges	8,275	5,394
Bad debts written-off	6,653	1,830
Bank charges	958	319
Sundry expenses	70,794	100,205
	168,525	150,167
Schedule 13: Finance charges		
Interest on loans	-	1
Other finance charges	-	-
	-	1

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 14 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

e) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Related Party Transactions:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i) Due to related parties (included in Borrowings):		
Dr. Reddy's Laboratories Limited	15,698	-
Dr. Reddys Pharma Italia SPA	362,715	246,156
ii) Due to related parties (included in Creditors):		
Dr. Reddys Pharma Italia SPA	78,207	86,357
Dr. Reddy's Laboratories Limited	19,607	-

3. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2010.

4. The Company, formerly known as Jet Generici SRL, incorporated under the laws of Italy, is a 100% subsidiary of Reddy Pharma Italia SPA.

DIRECTORS' REPORT

Your Directors present the 23rd Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Rupees)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period	(2,735,673)	(20,004)
Balance Brought forward	35,220	55,224
Balance Carried forward to Balance Sheet	(2,700,453)	35,220

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2010.

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Board of Directors recommends reappointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2010-11 for Shareholders' approval.

Directors

Mr. G.V. Prasad, retire by rotation at the ensuing 23rd Annual General Meeting and is eligible for re-appointment subject to the approval of members in the ensuing 23rd Annual General Meeting of the Company.

The Board of Directors had appointed Mr. Umang Vohra as an Additional Director on the Board of Directors of the Company on 21 April, 2010. He will hold this office till the conclusion of the 23rd Annual General Meeting of the Company. Due notice under Section 257 of the Companies Act, 1956 has

been received from a member proposing his appointment. It is proposed to appoint him as a Director of the Company liable to retire by rotation. The resolution for the same has been included in the notice of the 23rd Annual General Meeting of the Company.

During the year, Dr. K. Anji Reddy ceased to be the Director of the Company. The Board placed a record of his appreciation for the valuable services rendered by him during his tenure of office.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended. Hence the relevant provisions are not applicable to the company.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the company during the year.

for **DRL INVESTMENTS LIMITED**

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

G V Prasad
Director

AUDITORS' REPORT

To

The Members of

M/s DRL Investments Limited.
Hyderabad.

We have audited the attached Balance Sheet of M/s. DRL Investments Limited as at 31 March, 2010 and the Profit & Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
 - (c) the Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31.03.2010 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, along with the notes annexed hereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2010; and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For **A. Ramachandra Rao & Co.,**
Chartered Accountants

Place : Hyderabad
Date : 04/05/2010

A. Ramachandra Rao
Partner
Membership No. 9750

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in paragraph 1 of the Auditor's report to the Members of M/s. M/s. DRL Investments Limited for the year ended 31 March, 2010. We report as required under paragraph 4 that:

- i. (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has a regular program of Physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets;
- (c) Based on the explanations given to us, the company has not disposed off any substantial part of its fixed assets and hence in our opinion the sub-clause (c) is not applicable to the company for the year;
- ii. According to the explanations given to us, the Company does not have any inventories and hence, in our opinion, the clauses 4(ii)(b) and (ii)(c) are not applicable to the Company;
- iii. (a) Based on the information provided and explanations offered to us, the Company has not granted loans to, secured or unsecured, but taken unsecured loan from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, during the year. The amount involved is Rs.85,34,756/- ;
- (b) In our opinion the rate of interest and other terms and conditions of unsecured loan taken by the company are not prima facie prejudicial to the interests of the company;
- (c) The payment of principal amount and interest are regular as agreed;
- (d) There are no overdue amounts of more than Rs. 1 lakh and hence sub clause (d) of Clause (iii) is not applicable to the company for the year;
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with the size of the company and the nature of the business for the purchase of fixed assets. The company does not have any purchase of inventory and sale of goods. There is no continuing failure to correct major weaknesses in internal control;
- v. (a) According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Act.
- (b) In our opinion, in view of the above the clause 4(v)(b) is not applicable to the company;
- vi. In our opinion and according to the explanations given to us, the Company has not accepted any deposits from the public. Therefore, the directives issued by RBI and the provision of Sec.58A and Sec.58AA of the Companies Act, 1956 and the rules framed thereunder do not apply;
- vii. In our opinion, the Company has in general an adequate internal audit system commensurate with the size and nature of its business;
- viii. According to the information and explanations given to us, the maintenance of Cost record has not been prescribed by the Central Government, u/s. 209(1)(d) of the Companies Act, 1956 to the Company;
- ix. (a) According to the information and explanations given to us, the Company is regular in depositing the undisputed statutory dues including Income Tax and Wealth Tax and any other statutory dues with the appropriate authorities. We have been informed that the provisions of Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Sales tax, Customs duty, Excise duty and cess are not applicable to the

company;

- (b) According to the information and explanations given to us, there are no dues of income tax or wealth tax remaining to be deposited on account of any dispute.
- x. The Company has accumulated losses amounting to Rs. 2,700,453/- as at 31 March 2010. The Company has incurred cash loss of Rs. 2,718,525/- in the current financial year.
- xi. According to the information and explanations given to us, the company has no dues to a financial institution or bank or debenture holders;
- xii. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the requirement as to maintenance of documents and records does not apply;
- xiii. The Company is not a chit fund or nidhi or mutual benefit fund or society, and hence the provisions of any special statute does not apply;
- xiv. The company is not dealing or trading in shares, securities, debentures and other investments and hence maintenance of records regarding the same does not apply;
- xv. According to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from bank or financial institutions;
- xvi. According to the information and explanations given to us, the Company has not obtained any term loan;
- xvii. In our opinion and according to the information and explanations given to us, on a boarder examination of the financial statements, the funds raised on short-term basis have not been used for long term investment or vice versa;
- xviii. In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 at a price which is prejudicial to the interest of the company;
- xix. According to the information and explanations given to us, the Company has not issued any debentures and hence the clause (xix) is not applicable to the company for the year;
- xx. According to the information and explanations given to us, the Company has not made public issue during the year of audit and hence the clause (xx) is not applicable to the company for the year;
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year;

For **A. Ramachandra Rao & Co.**,
Chartered Accountants

Place : Hyderabad
Date : 04/05/2010

A. Ramachandra Rao
Partner
Membership No. 9750

Balance Sheet as at 31 March 2010

Particulars	Schedule	As at 31 March 2010 Rupees	As at 31 March 2010 Rupees
I SOURCES OF FUNDS			
1 Shareholders Funds			
Share Capital	1.01	500,000	500,000
2 Loan funds:			
Unsecured	1.02	8,535,556	8,534,756
Total		9,035,556	9,034,756
II APPLICATION OF FUNDS			
1. Fixed Assets			
Gross Block	1.03	6,111,036	7,163,000
Less: Depreciation		-	248,471
Net Block		6,111,036	6,914,529
2. Current Assets & Liabilities			
A. Current Assets	1.04	309,582	2,171,299
B. Less: Current Liabilities & Provisions	1.05	85,515	15,852
Net current Assets		224,067	2,155,447
Profit and Loss Account		2,700,453	(35,220)
Total		9,035,556	9,034,756
NOTES TO ACCOUNTS	3		
Schedule Nos. 1.01 to 1.05 and schedule 3.00 are an integral part of this Balance Sheet and should be read in conjunction therewith.			
As per our report attached		<i>for DRL Investments Limited</i>	
for A. Ramachandra Rao & Co. <i>Chartered Accountants</i>		Satish Reddy Director	
A. Ramachandra Rao <i>Partner</i> Membership No. 9750		G V Prasad Director	
Place : Hyderabad			
Date : 04/05/2010			

Profit and Loss Account for the year ended 31 March 2010

Particulars	Schedule	For the year ended 31 March 2010 Rupees	For the year ended 31 March 2009 Rupees
I INCOME			
Miscellaneous Income		-	-
		-	-
II EXPENDITURE			
Administrative Expenses	2.01	2,718,525	2,856
Depreciation		17,148	17,148
		2,735,673	20,004
Profit/ (Loss) for the year		(2,735,673)	(20,004)
Balance in Profit and Loss account brought forward		35,220	55,224
Balance in Profit and Loss account carried forward		(2,700,453)	35,220
Earnings per share (Refer Note 2 in Schedule 3)		(54.71)	(0.40)
Notes to Accounts:	3.00		
Schedule Nos.2.01 and Schedule No 3.00 form an integral part of this Profit & Loss Account and should be read in conjunction therewith.			
As per our report attached		<i>for DRL Investments Limited</i>	
for A. Ramachandra Rao & Co. <i>Chartered Accountants</i>		Satish Reddy Director	
A. Ramachandra Rao <i>Partner</i> Membership No. 9750		G V Prasad Director	
Place : Hyderabad Date : 04/05/2010			

Schedules to Balance Sheet

Particulars	As at 31 March 2010 Rupees	As at 31 March 2009 Rupees
Schedule : 1.01		
Share Capital		
Authorised:		
50,000 Equity Shares of Rs.10/-each	500,000	500,000
TOTAL	500,000	500,000
Issued, Subscribed & Paid up :		
50,000 Equity Shares of Rs.10/-each	500,000	500,000
All the shares are held by Dr.Reddy's Laboratories Ltd		
TOTAL	500,000	500,000
Schedule : 1.02		
Unsecured Loans:		
From Dr. Reddys Laboratories	8,534,756	8,533,956
From Directors	800	800
TOTAL	8,535,556	8,534,756
Schedule : 1.04		
Current Assets		
Cash and Bank Balances		
Balance with Scheduled Banks in current account	309,582	309,583
	309,582	309,583
Loans & Advances		
Advances recoverable in cash or in kind of value to received	-	1,861,716
TOTAL	309,582	2,171,299
Schedule : 1.05		
Current Liabilities & Provisions		
Sundry Creditors for expenses	85,515	15,852
TOTAL	85,515	15,852

Schedules to Balance Sheet (Contd.)

Schedule 1.03 : FIXED ASSETS												
Description	Gross Block					Depreciation					Net Block	
	As at 1-04-2009 Rs.	Additions during the year Rs.	Deletions / Adjustments Rs.	As at 31-3-2010 Rs.	As at 01-4-2009 Rs.	For the Year Rs.	Deletions / Adjustments Rs.	As at 31.3.2010 Rs.	As at 31-3-2010 Rs.	As at 31-3-2009 Rs.		
Land	6,111,036	-	-	6,111,036	-	-	-	-	6,111,036	6,111,036		
Building	1,051,964	-	1,051,964	-	248,471	17,148	265,619	-	-	803,493		
Total	7,163,000	-	1,051,964	6,111,036	248,471	17,148	265,619	-	6,111,036	6,914,529		
Previous Year	7,163,000	-	-	7,163,000	231,323	17,148	-	248,471	6,914,529	6,931,677		

Schedules to Profit and Loss Account

Particulars	For the year ended 31 March 2010 Rupees	For the year ended 31 March 2009 Rupees
SCHEDULE 2.01		
Administrative Expenses		
Audit fee	2,856	2,856
Other general expenses	2,715,669	-
TOTAL	2,718,525	2,856

Schedule 3.00 : Notes to Accounts

1) Significant Accounting Policies

a) Fixed Assets:

Fixed Assets are stated at historical cost less depreciation.

Depreciation has been calculated at rates prescribed under straight line method in Schedule XIV of the Companies Act, 1956.

b) Revenue recognition:

All interest income and expenditure are accounted on accrual basis, except where stated otherwise

c) Other Notes:

- i. Additional Information pursuant to clause 4C and 4D of part II Schedule VI to the Companies Act, 1956 is not required to be furnished.
- ii. Previous year's figures are regrouped wherever necessary.
- iii. Provision for tax is not made in the absence of profits.
- iv. The company is having a related party transaction in the form of an unsecured loan amounting to Rs. 8,534,756/- from Dr. Reddy's Laboratories Ltd (Holding Company) during the year.
- v. In view of unabsorbed depreciation and carry forward of losses under tax laws and in the view of the fact that there is no virtual certainty of sufficient future taxable income, no provision is made has been made for deferred tax.

2) Earnings per share:

	2009-10	2008-09
Net profit/ (Loss) for the year (Rs.)	(2,735,673)	(20,004)
Weighted average number of equity shares outstanding during the year - Basic	50,000	50,000
Weighted average number of equity shares outstanding during the year - Diluted	50,000	50,000
Basic Earnings per share	(54.71)	(0.40)
Diluted Earnings per share	(54.71)	(0.40)

3) Related Party Disclosure

Particulars	As at 31 March 2010	As at 31 March 2009
i. Due to related parties (included in unsecured loans): Dr. Reddy's Laboratories Limited	8,534,756	8,534,756

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results:

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(1,436)	-
Balance Brought forward	-	-
Balance Carried forward to Balance Sheet	(1,436)	-

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

M V Ramana
Director

Place : Hyderabad
Date : 04/05/2010

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Euro Bridge Consulting B.V. as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

Place : Hyderabad
Date : 04/05/2010

A. Ramachandra Rao
Partner
Membership No: 9750

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	30,279	30,279
Reserves & Surplus	2	121,773	121,773
Loan funds			
Unsecured loans		3,675	-
		155,727	152,052
APPLICATION OF FUNDS			
Investments	3	152,052	152,052
Current assets, loans and advances			
Cash and bank balances		427	-
Loans and advances		3,001	-
		3,428	-
Current liabilities and provisions			
Current liabilities		1,189	-
		1,189	-
Net current assets		2,239	-
Deferred tax assets		-	-
Profit & Loss Account		1,436	-
		155,727	152,052

Notes to accounts 4

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for A. Ramachandra Rao & Co.
Chartered Accountants

for Euro Bridge Consulting BV

A. Ramachandra Rao
Partner
Membership No.9750

M V Ramana
Director

Place : Hyderabad
Date : 04/05/2010

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
SOURCES OF FUNDS			
Income		-	-
Other income		288	-
		288	-
Expenditure			
Operating and other expenses		1,724	-
		1,724	-
Profit for the year		(1,436)	-
Balance in profit and loss account brought forward		-	-
Balance carried forward		(1,436)	-

Notes to accounts 4

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Euro Bridge Consulting BV**

A. Ramachandra Rao
Partner
Membership No.9750

M V Ramana
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
Authorised capital 100,000 shares of EUR 10 each	55,863	55,863
Issued, Subscribed and paid-up		
Equity Shares	30,279	30,279
54,200 shares of EUR 10 each	<u>30,279</u>	<u>30,279</u>
Schedule 2: Reserves & Surplus		
Securities Premium Account	121,773	121,773
	<u>121,773</u>	<u>121,773</u>
Schedule 3: Investments		
Investment in subsidiaries	152,052	152,052
	<u>152,052</u>	<u>152,052</u>

Schedules to the Profit and Loss Account

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 4 : Other income		
Interest on fixed deposits	-	-
Exchange gain/ (loss), net	125	-
Miscellaneous income	163	-
	<u>288</u>	<u>-</u>
Schedule 5: Operating and other expenses		
Legal and professional charges	217	-
Bank charges	14	-
Sundry expenses	1,493	-
	<u>1,724</u>	<u>-</u>

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 6 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from sale of products is stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

e) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2010.

3. The Company is incorporated under the laws of Netherlands and is a subsidiary of Reddy Antilles NV.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	175,600	(98,414)
Balance Brought forward	(78,067)	20,347
Balance Carried forward to Balance Sheet	97,533	(78,067)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and or preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Francisco Casillas Lara
Director

Viswanatha R. Bonthu
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Industrias Quimicas Falcon de Mexico SA de CV as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	593,879	593,879
Reserves & Surplus	2	18,942	(156,616)
Loan funds			
Unsecured loans	3	1,536,052	1,772,875
		2,148,873	2,210,138
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	1,466,079	1,222,331
<i>Less: Accumulated depreciation</i>		292,305	205,218
Net block		1,173,774	1,017,113
Capital work-in-progress (including capital advances)		39,811	155,867
		1,213,585	1,172,980
Current assets, loans and advances			
Inventories	5	765,618	607,391
Sundry debtors	6	273,455	291,503
Cash and bank balances	7	82,089	68,576
Loans and advances	8	106,383	388,850
		1,227,545	1,356,320
Current liabilities and provisions			
Current liabilities	9	256,460	243,898
Provisions	10	60,685	69,560
		317,145	313,458
Net current assets		910,400	1,042,862
Deferred tax assets		24,888	(5,704)
		2,148,873	2,210,138
Notes to accounts	17		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Industrias Quimicas Falcon De Mexico SA de CV**

A. Ramachandra Rao
Partner
Membership No. 9750

Viswanatha R. Bonthu
Director

Place : Hyderabad
Date : 04/05/2010

Francisco Casillas Lara
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		2,512,757	1,925,691
Other income	11	32,230	110,189
		2,544,987	2,035,880
Expenditure			
Material costs	12	909,678	687,646
Personnel costs	13	666,944	703,911
Operating and other expenses	14	493,126	399,460
Research and development expenses		5,638	77,994
Finance charges	15	141,313	162,911
Depreciation		86,861	79,213
		2,303,560	2,111,135
Profit before taxation		241,427	(75,255)
Provision for tax	16		
- Current tax		96,137	13,506
- Deferred tax expense/ (benefit)		(30,310)	9,653
Profit for the year		175,600	(98,414)
Balance in profit and loss account brought forward		(78,067)	20,347
Balance in profit and loss account carried forward		97,533	(78,067)

Notes to accounts 17

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**

Chartered Accountants

for **Industrias Quimicas Falcon De Mexico SA de CV**

A. Ramachandra Rao

Partner

Membership No. 9750

Viswanatha R. Bonthu

Director

Place : Hyderabad

Date : 04/05/2010

Francisco Casillas Lara

Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS		
Schedule 1: Share capital		
Authorised capital 127,796,000 Pesos*	593,879	593,879
Issued, Subscribed and paid-up		
Issued capital 127,796,000 Pesos* (Held by Dr.Reddy's Laboratories limited) (Holding Company)	593,879	593,879
	593,879	593,879
* No concept of nature and number of shares in this company		
Schedule 2 : Reserves & Surplus		
Foreign currency translation reserve	(78,591)	(78,549)
Profit and Loss Account	97,533	(78,067)
	18,942	(156,616)
Schedule 3: Unsecured Loans		
Borrowings - IU	1,536,052	1,772,875
	1,536,052	1,772,875
Schedule 5: Inventories		
Stores and spares	96,831	94,180
Raw materials	401,803	361,374
Work-in-process	207,105	151,837
Finished goods	59,879	-
	765,618	607,391
Schedule 6: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
- Considered good	273,455	291,503
Other debts		
- Considered good	-	-
	273,455	291,503

Schedules to Balance Sheet

Schedule - 3 : Fixed Assets (All amounts in Indian Rupees thousands, except share data)

	Gross Block					Depreciation				Net Block		
	01.04.2009	Additions	Deletions	Forex	31.03.2010	01.04.2009	For the year	Dele-tions	Forex	31.03.2010	31.03.2010	31.03.2009
Land	359,177	-	-	3,069	362,246	-	-	-	-	362,246	359,177	
Buildings	141,935	10,837	-	1,213	153,985	22,197	7,210	-	227	29,634	119,738	119,738
Plant & Machinery	668,226	217,668	8	5,710	891,596	163,701	69,503	8	1,761	234,957	504,525	504,525
Computers & Software	11,982	1,564	198	102	13,450	4,052	7,266	198	-	11,120	2,330	7,930
Furniture & Fixtures	23,084	576	-	199	23,859	8,958	1,359	-	84	10,401	13,458	14,126
Vehicles	17,927	4,754	1,891	153	20,943	6,310	1,523	1,774	134	6,193	14,750	11,617
Capital Work in Progress	155,867	149,539	266,926	1,331	39,811	-	-	-	-	-	39,811	155,867
Total	1,222,331	235,399	2,097	10,446	1,466,079	205,218	86,861	1,980	2,206	292,305	1,173,774	1,017,113
Previous Year	1,222,084	56,008	7,450	(48,311)	1,222,331	138,364	79,213	1,589	(10,770)	205,218	1,017,113	1,148,377

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 7: Cash and bank balances		
Cash in hand	-	-
Balances with banks		
- On current accounts	82,089	68,576
	82,089	68,576
Schedule 8: Loans and advances (Unsecured)		
Staff loans and advances	102	-
Other advances recoverable in cash or in kind or for value to be received	54	53
Advance tax (net of provision for current taxes)	(7,673)	23,581
Balances with statutory authorities	25,661	304,669
Deposits	549	545
	18,693	328,848
Other Current Assets	87,690	60,002
	106,383	388,850
Schedule 9: Current Liabilities		
Sundry creditors	88,379	89,572
Accrued expenses	46,316	21,227
Other liabilities	121,765	133,099
	256,460	243,898
Schedule 10: Provisions		
Provision others	60,685	69,560
	60,685	69,560

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 11: Other income		
Interest on fixed deposits	4,539	93,357
Miscellaneous income	27,691	16,832
	32,230	110,189
Schedule 12 : Material costs		
a) Raw materials purchased/ consumed	238,753	596,115
b) Stores, chemicals, spares and packing material consumed	670,925	91,531
TOTAL	909,678	687,646
Schedule 13: Personnel costs		
Salaries, wages and bonus	645,985	531,514
Contribution to provident and other funds	2,610	96,930
Workmen and staff welfare expenses	18,349	75,467
	666,944	703,911
Schedule 14: Operating and other expenses		
Power and fuel	238,021	201,574
Rent	242	-
Rates and taxes	4,553	1,362
Repairs and maintenance		
- Buildings	897	-
- Plant and machinery	-	113,906
- Others	35,093	45,388
Insurance	16,333	-
Travelling and conveyance	4,025	4,912
Communication	9,647	9,626
Printing and stationery	859	1,702
Legal and professional charges	31,144	21,955
Donations	375	-
Loss on sale/ retirement of fixed assets, net	116	381
Exchange gain/ (loss), net	25,993	48,361
Bank charges	1,127	1,196
Sundry expenses	10,779	62,761
	493,126	399,460

Schedules to Profit and Loss Account (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 15: Finance Charges		
Interest on loans	141,313	162,911
Other finance charges		
	141,313	162,911
Schedule 16: Provision for tax		
Current taxes	96,137	13,506
Deferred taxes	(30,310)	9,653
Total	65,827	23,159

Schedules to Balance Sheet and Profit and Loss Account

Schedule 17 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Electrical/ office equipment	5 to 15
Furniture & fixtures	4 to 8
Computer equipment	3
Vehicles	4 to 5

d) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

The methods of determining cost of various categories of inventories are as follows:

<i>Raw materials</i>	<i>First in first out (FIFO)</i>
<i>Stores and spares</i>	<i>Weighted average method</i>
<i>Work-in-process and finished goods (manufactured)</i>	<i>FIFO and an appropriate share of production overheads</i>
<i>Finished goods (traded)</i>	<i>Cost of purchase</i>

e) Retirement benefits

Contributions payable employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

h) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the group has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

i) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

3. Deferred taxation

Deferred tax liability, net included in the balance sheet comprises the following:

	(Rs. thousands)	
	As at	As at
	31 March 2010	31 March 2009
Deferred tax assets/ (liabilities)		
Sundry Debtors	26,657	11,512
Other Current assets	13,372	-
PPE	-	1,942
Other Current Liabilities	27,128	24,287
Inventory	32,382	2,932
Expenses deferred for Tax purposes	-	(46,379)
Losses carry forward	14,177	-
Tax law over depreciation provided in accounts	(74,651)	-
Deferred tax assets/ (liabilities), net	24,888	(5,704)

4. Related party disclosures

a. The Company has following amounts due from/ to related parties:

	(Rs. thousands)	
	As at	As at
	31 March 2010	31 March 2009
i. Due from related parties (included in Debtors):		
Dr. Reddy's Laboratories Limited	5,443	12,421
Dr. Reddy's Laboratories Inc.	84,013	106,098
Dr. Reddy's Laboratories S.A	84,694	106,592
Dr. Reddy's Laboratories (EU) Limited	983	-

ii.	Due to related parties (included in Creditors):		
	Dr. Reddy's Laboratories Limited	40,939	49,792
iii.	Due to related parties (included in Borrowings):		
	Dr. Reddy's Laboratories Limited	1,423,583	1,462,711
	Dr. Reddy's Laboratories Inc.	112,469	223,841
	Dr. Reddy's Laboratories S.A	-	86,323

5. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

- 6.** The Company, incorporated in Mexico, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	133,410	8,650
Balance Brought forward	(620,594)	(629,244)
Balance Carried forward to Balance Sheet	(487,184)	(620,594)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Directors

During the year under review, the Board of Directors of the Company appointed Mr. Huang Guirong and Mr. Abhijit Mukherjee as Directors of the Company w.e.f. 29 June 2009 and 27 April 2010 respectively.

Mr. Jaspal Singh Bajwa has resigned as Director of the Company during the year. The Board of Directors of the Company placed a record of his appreciation for the valuable services rendered by him during his tenure of office.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

G V Prasad
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Kunshan Rotam Reddy Pharmaceuticals Co. Ltd as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	790,549	790,549
Reserves and surplus	1a	8,632	(6,446)
Loan funds			
Secured loans	2	42,438	152,159
Deferred Tax liability		-	1,222
TOTAL		841,619	937,484
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	350,160	295,319
Less: Accumulated depreciation		190,308	152,221
Net block		159,852	143,098
Capital work-in-progress (including capital advances)		-	273
		159,852	143,371
Current assets, loans and advances			
Inventories	4	61,664	69,034
Sundry debtors	5	251,689	205,856
Cash and bank balances	6	21,039	64,161
Loans and advances	7	34,452	26,123
Current liabilities and provisions			
Current liabilities	8	189,747	191,655
Net current assets		179,097	173,519
Deferred tax assets		15,486	-
Profit & Loss Account		487,184	620,594
TOTAL		841,619	937,484
Notes to accounts	14		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.**

A. Ramachandra Rao
Partner
Membership No: 9750

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

Profit and Loss Account for the Year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales and service income		788,319	612,044
Other income		25,270	664
TOTAL		813,589	612,708
Expenditure			
Material costs	9	253,212	207,875
Personnel costs	10	162,089	121,605
Operating and other expenses	11	251,585	219,779
Research and development expenses		9,574	3,246
Amortisation of long term deposits/ Brands/impairments		408	-
Finance charges	12	5,881	10,448
Depreciation		16,277	5,147
Total Expenditure		699,026	568,100
Profit/ (Loss) before tax		114,563	44,608
Less: Income taxes	13	(18,847)	35,958
Profit/ (loss) after taxation		133,410	8,650
Balance in profit/ (loss) account brought forward		(620,594)	(629,244)
Balance in profit/ (loss) account carried forward		(487,184)	(620,594)
Notes to accounts	14		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.**

A. Ramachandra Rao
Partner
Membership No: 9750

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
Authorised capital USD 29,990,000 *	1,289,570	1,289,570
Issued Subscribed and paid-up		
Issued capital USD 18,330,110	790,549	790,549
* No concept of nature and number of shares in this company		
TOTAL	790,549	790,549
Schedule 1a : Reserves & Surplus		
Foreign Currency Translation Reserve	8,632	(6,446)
	8,632	(6,446)
Schedule 2 : Secured loans		
Cash credit and packing credit	42,438	152,159
TOTAL	42,438	152,159

Schedules to Balance Sheet (Contd.)

		(Rs. thousands)										
		Gross Block					Depreciation					Net Block
	As at 01.04.2009	Additions	Deletions	Forex	As At 31.03.2010	As at 01.04.2009	For the year	Forex	Deletions	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Buildings	166,382	-	-	26,692	193,074	68,651	7,736	-	11,674	88,061	105,013	97,731
Plant and Machinery	43,075	347	-	7,505	50,927	41,775	3,161	-	(6,362)	38,574	12,353	1,300
Vehicles	4,113	-	-	1,029	5,142	3,189	475	-	632	4,296	846	924
Office Equipment	16,795	16	716	3,051	19,146	3,549	3,275	715	9,635	15,744	3,402	13,246
Laboratory equipment	26,433	1,475	-	3,923	31,831	25,189	884	-	3,815	29,888	1,943	1,244
Leasehold Land	35,282	-	-	5,750	41,032	7,582	746	-	1,271	9,599	31,433	27,700
Trade Marks	3,239	5,265	-	504	9,008	2,286	408	-	1,452	4,146	4,862	953
TOTAL	295,319	7,103	716	48,454	350,160	152,221	16,685	715	22,117	190,308	159,852	143,098
Previous Year	292,792	20,625	15,019	3,079	295,319	131,460	2,642	130,103	31,222	152,221	143,098	161,332

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 4 : Inventories		
Stores and spares	2,221	1,785
Raw-materials	21,812	19,626
Work-in-process	15,414	5,934
Finished goods	22,217	41,689
TOTAL	61,664	69,034
Schedule 5 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	272,363	229,332
Less: Provision for doubtful debts	20,674	23,476
TOTAL	251,689	205,856
Schedule 6 : Cash and bank balances		
Cash on hand	102	35
Balance with non-scheduled banks		
On deposit accounts	602	111
On current accounts	20,335	64,015
TOTAL	21,039	64,161
Schedule 7 : Loans and advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	19,102	7,386
Other Current Assets	15,350	18,737
TOTAL	34,452	26,123
Schedule 8 : Current Liabilities		
Sundry creditors	118,828	131,654
Other Current Liabilities	70,919	60,001
TOTAL	189,747	191,655

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 9 : Material Cost		
a) <i>Raw materials consumed :</i>		
Opening Stock of raw materials	19,626	23,813
Add: Purchases	255,398	203,688
Less: Closing stock	21,812	19,626
TOTAL	253,212	207,875
Schedule 10 : Personnel costs		
Salaries, wages and bonus	149,479	118,572
Contribution to provident and other funds	5,935	3,033
Workmen and staff welfare expenses	6,675	-
TOTAL	162,089	121,605
Schedule 11 : Operating and other expenses		
Rates and taxes	3,841	2,688
Insurance	286	392
Travelling and conveyance	125,046	75,911
Communication	2,359	2,574
Advertisements	2,782	5,087
Other selling expenses	37,099	-
Printing and stationery	249	288
Legal and professional	3,223	3,633
Bank charges	428	567
Exchange loss (net)	-	3,522
Sundry expenses	76,272	125,117
TOTAL	251,585	219,779
Schedule 12: Finance charges		
Interest on term loans	5,881	10,448
TOTAL	5,881	10,448
Schedule 13: Income Taxes		
Current taxes	-	-
Deferred taxes	(18,847)	35,958
TOTAL	(18,847)	35,958

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 14 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised. The cost of fixed assets also includes the exchange differences arising in respect of foreign currency loans or other liabilities incurred for the purpose of their acquisition or construction.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Buildings	
- Factory and administrative buildings	20 to 39
- Ancillary structures	3 to 10
Plant and machinery	3 to 15
Factory equipment	5 to 15

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Other equipment	4 to 15
Office equipment	3 to 8
Vehicles	4 to 5

Leasehold land is being amortised over the period of lease.

d) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

The premium or discount on forward exchange contracts is recognised over the period of the contracts. The premium or discount in respect of forward exchange contracts related to acquisition of fixed assets is adjusted in the carrying amount of the related fixed assets. In respect of other contracts, it is recognised in the profit and loss account.

Contingent liabilities are translated at the closing rate.

g) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer.

Revenue from product sales are stated exclusive of returns, applicable trade discounts and allowances.

h) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

i) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

	(Rs. thousands)	
	As at	As at
	31 March 2010	31 March 2009
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	NIL	NIL

3. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

4. The Company, incorporated in the People's Republic of China, with Dr. Reddy's Laboratories Limited in which the latter has 51.33% interest.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	359,444	527,733
Balance Brought forward	981,346	453,613
Balance Carried forward to Balance Sheet	1,340,790	981,346

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Share Capital

During the year under review, 2,051 shares were allotted to Dr. Reddy's Laboratories Limited, India – Holding Company and hence, the share capital stands enhanced at Rs. 1,287 thousands.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Milorad Vujnovic
Director

Saumen Chakraborty
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Lacock Holdings Limited as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the income for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1,287	1,164
Reserves & Surplus	2	16,752,272	15,057,144
		16,753,559	15,058,308
Loan funds			
Secured loans	3	8,899,107	13,457,190
Unsecured loans	4	5,018,880	4,714,831
		13,917,987	18,172,021
		30,671,546	33,230,329
APPLICATION OF FUNDS			
Investments	5	5,868,919	5,868,919
Current assets, loans and advances			
Cash and bank balances	6	14,258	1,440,396
Loans and advances	7	24,938,162	26,050,328
		24,952,420	27,490,724
Current liabilities and provisions			
Current liabilities	8	149,793	129,314
Provisions		-	-
		149,793	129,314
Net current assets		24,802,627	27,361,410
		30,671,546	33,230,329
Notes to accounts	12		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Lacock Holdings Limited**

A. Ramachandra Rao
Partner
Membership No: 9750

Milorad Vujnovic
Director

Place : Hyderabad
Date : 04/05/2010

Saumen Chakraborty
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income	9	838,068	1,619,624
		838,068	1,619,624
Expenditure			
Operating and other expenses	10	5,929	96,276
Finance charges	11	432,741	935,960
		438,670	1,032,236
Profit before taxation		399,398	587,388
Provision for tax			
- Current tax		39,954	59,655
- Deferred tax expense/ (benefit)		-	-
Profit for the year		359,444	527,733
Balance in profit and loss account brought forward		981,346	453,613
Profit/ (Loss) carried forward		1,340,790	981,346

Notes to accounts

12

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Lacock Holdings Limited**

A. Ramachandra Rao
Partner
Membership No: 9750

Milorad Vujnovic
Director

Place : Hyderabad
Date : 04/05/2010

Saumen Chakraborty
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010 Rupees	As at 31 March 2009 Rupees
Schedule 1: Share capital		
Authorised		
50000 shares of EUR 1 each	1,287	1,164
Issued ,Subscribed and paid-up		
23,028 shares of EUR 1 each <i>(Held by Dr. Reddy's Laboratories limited)</i>	1,287	1,164
	1,287	1,164
Schedule 2: Reserves & Surplus		
Share Premium	15,380,800	12,856,662
Foreign Currency Translation Reserve	30,682	1,219,136
Profit and Loss Account	1,340,790	1,566,289
	16,752,272	15,642,087
Schedule 3 : Secured Loans		
Long term borrowings	8,899,107	13,457,190
	8,899,107	13,457,190
Schedule 4: Unsecured Loans		
Borrowings - IU	5,018,880	4,714,831
	5,018,880	4,714,831
Schedule 5: Investments		
Investment in subsidiaries	5,868,919	5,868,919
	5,868,919	5,868,919
Schedule 6: Cash and bank balances		
Balances with banks		
- On current accounts	13,275	1,587
Other Current Assets	983	1,438,809
	14,258	1,440,396
Schedule 7: Loans and advances (Unsecured)		
Other advances recoverable in cash or in kind or for value to be received	24,790,948	25,937,687
Advance tax (net of provision for current taxes)	147,214	112,641
	24,938,162	26,050,328
Schedule 8: Current Liabilities		
Income Tax Payable	145,377	122,172
Other Current Liabilities	4,416	7,142
	149,793	129,314

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 9: Other income		
Interest Income - Others	821,528	1,619,624
Exchange gain, net	16,540	-
	838,068	1,619,624
Schedule 10: Operating and other expenses		
Rates and taxes	-	3,357
Legal and professional charges	4,005	1,540
Exchange loss, net	-	89,652
Bank charges	1,924	1,727
	5,929	96,276
Schedule 11: Finance charges		
Other finance charges	432,741	935,960
	432,741	935,960

Schedules to Balance Sheet and Profit and Loss Account

Schedule 12 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments. Investments in associates, accounted under the equity method of accounting, are initially recorded at cost, identifying any goodwill / capital reserve at the time of acquisition. The carrying amount of such investments is adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee unless there is an agreement to the contrary. The carrying amount of investment in an associate is reduced to recognize a decline, other than temporary, in the value of the investment, such reduction being determined and made for each investment individually.

d) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

e) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

f) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Revenue from the various profit sharing arrangements entered into by the Company is recognised when it is earned and is measurable and when the ultimate collection is reasonably certain.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the group has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

h) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a

later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

2. Contingencies and commitments

There were no commitments and contingent liabilities as at 31 March 2010.

3. Related party disclosures

The Company has following amounts due from/ to related parties:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Due to related parties (included in Borrowings):		
Dr. Reddy's Laboratories Limited	3,640,261	3,355,416
Reddy Holding GmbH	609,053	799,203
Dr. Reddy's Laboratories SA	769,566	560,212
ii. Due from related parties (included in Advances)		
Reddy Holding GmbH	24,218,160	25,470,665
Reddy Pharma Italia	572,787	467,022

4. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in Cyprus, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Dear Members,

Your Directors present you the 2nd Annual Report for the year ended 31 March 2010.

Financial Highlights

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period	(8,000)	(3,000)
Balance carried forward	(3,000)	-
Balance Carried Forward to Balance Sheet	(11,000)	(3,000)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2010.

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Auditors

The Statutory Auditors of the Company M/s. Ramachandra & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Board of Directors recommends reappointment of M/s. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2010-11 for shareholder's approval.

Directors

Mr. Satish Reddy, retire by rotation at the ensuing 2nd Annual General Meeting and is eligible for re-appointment, subject to the approval of the members in the ensuing 2nd Annual General Meeting of the Company.

Conservation of energy, research and developments, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended. Hence the relevant provisions are not applicable to the company.

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the company during the year.

for and on behalf of the Board

Place : Hyderabad

Date : 04/05/2010

Satish Reddy

Director

Raghu Cidambi

Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Macred India Pvt. Limited. as at 31 March 2010 and the Profit & Loss account of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
 - (c) the Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director under section 274 (1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, along with the notes annexed hereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2010; and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the period ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in paragraph 1 of the Auditor's report to the Members of M/s. Macred India Pvt. Limited for the year ended 31 March 2010. We report as required under paragraph 4 that:

- i. (a) The Company has not acquired any fixed assets in the year under consideration and hence, in our opinion, the Clause (i) is not applicable to the company for the year;
- ii. The Company does not have any inventories and hence, in our opinion, the clauses (ii) is not applicable to the company for the year;
- iii. (a) The Company has not granted, secured or unsecured, loans for parties listed in the register maintained under Section 301 of the Companies Act, 1956, during the year.
(b) In our opinion the rate of interest and other terms and conditions of unsecured loan taken by the company are not prima facie prejudicial to the interests of the company;
(c) The payment of principal amount and interest are regular as agreed;
(d) There are no overdue amounts of more than Rs.1 lakh and hence sub clause (d) of Clause (iii) is not applicable to the company for the year;
- iv. In our opinion and according to the information and explanations given to us, there are no purchase of inventory and fixed assets during the year. Hence the clause (iv) is not applicable to the company for the year.
- v. (a) According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of Section 301 of the Act.
(b) In view of the above the clause (v)(b) is not applicable to the company for the year;
- vi. In our opinion and according to the explanations given to us, the Company has not accepted any deposits from the public. Therefore, the directives issued by RBI and the provision of Sec.58A and Section 58AA of the Companies Act, 1956 and the rules framed thereunder do not apply to the company for the year;
- vii. In our opinion, the Company has in general an adequate internal audit system commensurate with the size and nature of its business;
- viii. According to the information and explanations given to us, the maintenance of Cost record has not been prescribed by the Central Government, under Section 209(1)(d) of the Companies Act, 1956 to the Company;
- ix. (a) According to the information and explanations given to us, the provisions of Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Sales tax, Customs duty, Excise duty and Cess are not applicable to the company and the company is not liable for Income Tax and Wealth Tax for the year;
(b) According to the information and explanations given to us, there are no dues of income tax or wealth tax remaining to be deposited on account of any dispute.
- x. Since the company has been registered for a period less than 5 years, in our opinion, the clause 4(x) does not apply;
- xi. According to the information and explanations given to us, the company has no dues to a financial institution or bank or debenture holders;

- xii. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the requirement as to maintenance of documents and records does not apply;
- xiii. The Company is not a chit fund or nidhi or mutual benefit fund or society, and hence the provisions of any special statute does not apply;
- xiv. Based on the explanation given to us the company is not dealing or trading in shares, securities, debentures and other investments and hence clause (xiv) does not apply to the company for the year;
- xv. According to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from a bank or financial institutions and hence the clause (xv) is not applicable to the company for the year;
- xvi. According to the information and explanations given to us, the Company has not obtained any term loan and hence the clause (xvi) is not applicable to the company for the year;
- xvii. In our opinion and according to the information and explanations given to us, the funds raised on short-term basis have not been used for long term investment or vice versa;
- xviii. In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prejudicial to the interest of the company;
- xix. According to the information and explanations given to us, the Company has not issued any debentures and hence the clause (xix) is not applicable to the company for the year;
- xx. According to the information and explanations given to us, the Company has not made public issue during the year of audit and hence the clause (xx) is not applicable to the company for the year;
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year;

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	500	500
		500	500
Loan funds			
Unsecured loans	2	-	180,002
Other Current Liabilities		11	1
		11	180,003
		511	180,503
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances	3	500	500
Loans and advances		-	180,000
		500	180,500
Net current assets		500	180,500
Profit & Loss Account		11	3
		511	180,503

Notes to accounts 5

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Macred India Private Limited**

A. Ramachandra Rao
Partner
Membership No.9750
Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

Raghu Cidambi
Director

Profit & Loss Account for the period ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income		2	-
		2	-
Expenditure			
Operating and other expenses	4	10	3
		10	3
Profit for the year			
Balance in profit and loss account brought forward		(8)	(3)
Balance in profit and loss account carried forward		(3)	-
		(11)	(3)
Earnings per share (Rs. per thousand)			
Basic – Par value Rs.10 per share		-	-
Diluted – Par value Rs.10 per share		-	-

Notes to accounts

5

The schedules referred to above form an integral part of Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Macred India Private Limited**

A. Ramachandra Rao
Partner
Membership No.9750

Satish Reddy
Director

Raghu Cidambi
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
Authorised capital 50,000 shares of Rs. 10 Each	500	500
Issued, Subscribed and paid-up		
Equity Shares 50,000 shares of Rs. 10 Each	500	500
	500	500
Schedule 2 : Unsecured Loans		
From the Holding Company	-	180,002
	-	180,002
Schedule 3 : Cash and Bank Balances		
Balance with Non-Scheduled Banks	500	500
Balance with Scheduled Banks	500	500
	500	500

Schedule to Profit and Loss Account

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 4 : Operating and Other Expenses		
Bank Charges	-	2
Audit fees	10	1
	10	3

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 5 : Notes to Accounts

Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

Significant Accounting Policies

- 1) Fixed Assets are stated at historical cost less depreciation.
Depreciation has been calculated at rates prescribed under straight-line method in Schedule XIV of the Companies Act, 1956.
- 2) In view of unabsorbed depreciation and carry forward of losses under tax laws and in the view of the fact that there is no virtual certainty of sufficient future taxable income, no provision is made has been made for deferred tax.
- 3) Additional Information pursuant to clause 4C and 4D of part II Schedule VI to the Companies Act, 1956 is not required to be furnished.
- 4) Previous year's figures are regrouped wherever necessary.
- 5) **Related Party Transactions:**

Particulars	As at 31 March 2010	As at 31 March 2009
Due from related parties (included in Borrowings):		
Dr. Reddy's Laboratories Limited	-	180,002

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	416,830	381,461
Balance Brought forward	(327,590)	35,369
Balance Carried forward to Balance Sheet	89,240	416,830

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad

Date : 04/05/2010

Satish Reddy

Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. OOO Dr. Reddy's Laboratories Limited as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS:			
Shareholders' funds			
Share capital	1	71,843	71,843
Reserves and surplus	2	89,240	416,830
Loan funds			
Unsecured loans	3	9,148	8,989
TOTAL		170,231	497,662
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	35,801	26,456
Less: Accumulated Depreciation		13,711	6,954
		22,090	19,502
Current assets, loans and advances			
Inventories	5	378,979	673,507
Sundry debtors	6	2,384,004	2,030,556
Cash and bank balances	7	112,630	106,840
Loans and advances	8	268,092	176,210
		3,143,705	2,987,113
Current liabilities and provisions			
Current liabilities	9	3,106,263	2,515,010
		3,106,263	2,515,010
Net current assets		37,442	472,103
Deferred tax asset		110,699	6,057
TOTAL		170,231	497,662

Notes to accounts

14

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **OOO Dr. Reddy's Laboratories Limited**

A. Ramachandra Rao
Partner
Membership No: 9750

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		7,109,642	5,243,331
Other income		278,630	117,107
TOTAL		7,388,272	5,360,438
Expenditure			
Material costs	10	7,347,197	4,334,324
Personnel costs	11	119,205	108,831
Operating and other expenses	12	316,986	860,648
Finance charges		1,045	693
Depreciation		8,801	3,217
Total Expenditure		7,793,234	5,307,713
Profit/ (Loss)before tax		(404,962)	52,725
Less: Income tax expense/ (benefit)	13	(77,372)	17,356
Balance in profit/ (loss) account carried forward		(327,590)	35,369
Notes to accounts	14		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **OOO Dr. Reddy's Laboratories Limited**

A. Ramachandra Rao
Partner
Membership No: 9750

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : SHARE CAPITAL		
Authorised capital		
46,294,632 equity shares of RUB 1 each	71,843	71,843
Subscribed and paid-up		
46,294,632 equity shares of RUB 1 each	71,843	71,843
TOTAL	71,843	71,843
Schedule 2 : Reserves & Surplus		
Previous year profit/ (loss) brought down	416,830	381,461
Current year profit/ (loss) carried forward	(327,590)	35,369
	89,240	416,830
Schedule 3 : Unsecured loans		
Borrowings - Others	-	-
Borrowings - IU	9,148	8,989
	9,148	8,989
Schedule 5 : Inventories		
Finished goods	378,979	673,507
TOTAL	378,979	673,507
Schedule 6 : Sundry debtors (Unsecured)		
- Considered good	2,384,004	2,030,556
- Considered doubtful	42,391	39,458
	2,426,395	2,070,014
<i>Less: Provision for doubtful debts</i>	42,391	39,458
TOTAL	2,384,004	2,030,556
Schedule 7 : Cash and bank balances		
Cash on hand	200	123
Balance with non-scheduled banks		
- On current accounts	112,430	106,717
TOTAL	112,630	106,840

Schedules to Balance Sheet (Contd.)

Schedule 4 : FIXED ASSETS

(All amounts in Indian Rupees thousands, except share data)

Description	Gross Block					Depreciation				Net Block	
	As at 01.04.2009	Additions	Deletions/ Adjustments	As at 31.3.2010	As at 1.4.2009	For the Year	Deletions/ adjustments	Forex	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Buildings	30	-	-	30	-	-	-	-	-	30	30
Plant and Machinery	1,852	-	2	1,850	1,219	27	-	(16)	1,231	620	633
Furniture, fixtures & Office equipment	155	312	-	467	152	247	0	-	399	69	3
Vehicles	7,286	3,826	2,298	8,814	3,426	1,832	1,980	(47)	3,230	5,584	3,860
Computer equipment	17,133	7,506	-	24,639	2,157	6,696	-	(1)	8,851	15,788	14,976
Total	26,456	11,645	2,300	35,801	6,954	8,801	1,981	(64)	13,711	22,090	19,502
Previous Year	9,680	19,074	2,298	26,456	4,866	3,217	1,172	43	6,954	19,502	4,815

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 8 : Loans and advances		
(Unsecured)		
<i>Considered good</i>		
Staff loans and advances	186	143
Other advances recoverable in cash or in kind or for value to be received	55,142	63,116
Balances with statutory authorities	133,568	99,880
Other current assets	79,196	13,071
TOTAL	268,092	176,210
Schedule 9 : Current Liabilities		
Sundry creditors	2,822,219	2,439,802
Other current liabilities	284,044	75,208
TOTAL	3,106,263	2,515,010

Schedules to the Profit and Loss Account (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 10 : Material costs		
Opening Stock of Finished Goods	388,120	576,919
Closing Stock of Finished goods	378,979	388,120
	9,141	188,799
Net (increase)/ decrease		
Purchase of traded goods	7,338,056	1,703,092
	7,347,197	1,891,891
TOTAL		
Schedule 11 : Personnel costs		
Salaries, wages and bonus	103,233	104,053
Contribution to provident and other funds	14,116	4,778
Workmen and staff welfare expenses	1,856	-
	119,205	108,831
TOTAL		
Schedule 12 : Operating and other expenses		
Repairs and maintenance	-	5,986
Rent	42,234	31,742
Rates and taxes	219	36
Insurance	3,659	3,042
Travelling and conveyance	5,463	3,699
Communication	3,874	2,550
Advertisements	141,038	70,295
Other selling expenses	84,388	29,454
Printing and stationery	1,031	28
Bad debts written-off	2,308	35,731
Auditors' remuneration	3,472	5,326
Legal and professional	11,265	-
Bank charges	10,009	5,178
Exchange loss/ (gain), net	-	629,734
Sundry expenses	8,026	37,847
	316,986	860,648
Total		
Schedule 13: Provision for taxation		
Current taxes	28,777	2,361
Deferred taxes	(106,149)	14,995
	(77,372)	17,356
Total		

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 14 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded)	Cost of purchase
-------------------------	------------------

d) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Computer equipment	3
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

h) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2010 (previous year: Nil).

3. Related Party Disclosure

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i) Due to related parties (included in Borrowings): OOO Reddy Biomed Limited	9,148	8,986
ii) Due to related parties (included in Creditors): Dr. Reddy's Laboratories Limited Dr. Reddy's Laboratories SA	1,259,851 1,558,490	1,508,117 915,022
iii) Due to related parties (included in Advances): OOO DRS LLC	35,198	26,957

4. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

5. Deferred taxation

Deferred tax liability, net included in the balance sheet comprises the following:

	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
Deferred tax assets		
Losses carry forward	-	-
Sundry debtors	11,969	9,470
Current liabilities	90,241	
Inventories	6,477	2,245
Current liabilities	2,012	5,960
Others	-	302
Deferred tax asset, net	110,699	6,057

6. An authorised signatory has authenticated the financial statements along with a director, as the local laws do not require the appointment of more than one director.

7. The Company, incorporated in Russia, is a 100% subsidiary of Dr. Reddy's Laboratories Limited as on date by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(10,160)	366
Balance Brought forward	366	-
Balance Carried forward to Balance Sheet	(9,794)	366

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

M V Ramana
Director

Place : Hyderabad
Date : 04/05/2010

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. OOO DRS LLC as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the profit/ loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

Place : Hyderabad
Date : 04/05/2010

A. Ramachandra Rao
Partner
Membership No: 9750

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	29,520	29,520
Reserves & Surplus	2	112,738	122,898
		142,258	152,418
Loan funds			
Unsecured loans	3	65,297	56,520
		65,297	56,520
		207,555	208,938
TOTAL			
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	223,695	223,697
Less: Accumulated depreciation		367	-
Net block		223,328	223,697
Capital work-in-progress (including capital advances)		6,815	6,815
		230,143	230,512
Current assets, loans and advances			
Cash and bank balances	5	764	73
Loans and advances	6	15,057	15,659
		15,821	15,732
Current liabilities and provisions			
Current liabilities	7	38,409	37,306
		38,409	37,306
Net current assets			
		(22,588)	(21,574)
		207,555	208,938

Notes to accounts

9

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramchandra Rao & Co.**
Chartered Accountants

for **OOO DRS LLC**

A. Ramachandra Rao
Partner
Membership No: 9750

M V Ramana
Director

Place : Hyderabad
Date : 04/05/2010

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income		-	4,431
		-	4,431
Expenditure			
Operating and other expenses	8	9,649	4,065
Depreciation		367	-
		10,016	4,065
Profit before taxation		(10,016)	366
Provision for tax			
- Current tax		144	-
Profit/ (loss) for the year		(10,160)	366
Balance in profit and loss account brought forward		366	-
Balance in profit and loss account carried forward		(9,794)	366

Notes to accounts

9

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramchandra Rao & Co.**
Chartered Accountants

for **OOO DRS LLC**

A. Ramachandra Rao
Partner
Membership No: 9750

M V Ramana
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
Authorised capital *	29,520	29,520
* No concept of Share Capital in this Company		
Issued, Subscribed and paid-up		
	29,520	29,520
	29,520	29,520
Schedule 2 : Reserves & Surplus		
Profit and Loss A/c	(9,794)	366
Securities Premium	122,532	122,532
	112,738	122,898
Schedule 3: Unsecured Loans		
Borrowings - IU	65,297	56,520
	65,297	56,520
Schedule 5: Cash and Bank Balances		
Balances with Scheduled Banks	764	73
	764	73
Schedule 6: Loans & Advances		
Advances - others	14,693	13,641
Balances with statutory authorities	364	368
Other current assets	-	1,650
	15,057	15,659
Schedule 7: Current Liabilities		
Other Current Liabilities	38,409	37,306
	38,409	37,306
Schedule 8: Operating and Other Expenses		
Interest expenses	3,857	2,357
Rent expenses	14	-
Legal and professional fees	1,859	-
Rates and taxes	1,009	-
Audit fees	63	-
General expenses	2,847	1,708
	9,649	4,065

Schedules to Balance Sheet (Contd.)

Schedule - 4 : Fixed Assets

(All amounts in Indian Rupees thousands, except share data)

	Gross Block				Depreciation				Net Block		
	01.04.2009	Additions	Deletions	Forex	31.03.2010	01.4.2009	Additions	Deletions		31.03.2010	31.03.2010
	Land	219,851	-	-	(2)	219,849	-	-		-	-
Buildings	3,846	-	-	-	3,846	367	-	367	-	3,479	3,846
Total	223,697	-	-	(2)	223,695	-	367	-	367	223,328	219,851
Previous Year	-	220,531	-	3,166	223,697	-	-	-	-	223,697	29,055

Schedules to Balance Sheet and Profit and Loss Account

Schedule 9 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("the ICAI") to the extent applicable. The financial statements are presented in Indian rupees rounded off to the nearest thousand.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

e) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

Schedule to Balance Sheet and Profit and Loss Account (Contd.)

2. Related party Transactions:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i) Due to related parties (included in Borrowings):		
OOO Dr. Reddy's laboratories	35,198	26,957
Reddy Antilles NV	30,098	29,564

3. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2010 (previous year: Nil).

4. The Company, incorporated under the laws of Russia, is a 100% subsidiary of Eurobridge Consulting B.V.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	36,616	(8,516)
Balance Brought forward	(14,603)	(6,087)
Balance Carried forward to Balance Sheet	22,013	(14,603)

Directors Responsibility Statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. OOO JV Reddy Biomed Limited as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Sub – section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Mebership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	4,509	4,509
TOTAL		4,509	4,509
APPLICATION OF FUNDS			
Fixed assets			
Gross block	2	19	834
Less: Accumulated depreciation		19	834
Net block		-	-
Current assets, loans and advances			
Cash and bank balances	3	17,455	16,668
Loans and advances	4	9,144	8,986
		26,599	25,654
Current liabilities and provisions			
Current liabilities	5	77	35,710
Provisions	6	-	38
		77	35,748
Net current assets		26,522	(10,094)
Profit & Loss account	1a	(22,013)	14,603
TOTAL		4,509	4,509
Notes to accounts	11		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **OOOJV Reddy Biomed Limited**

A. Ramachandra Rao
Partner
Membership No: 9750

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income	7	37,550	1,060
TOTAL		37,550	1,060
Expenditure			
Material costs		-	-
Personnel costs	8	670	374
Operating and other expenses	9	159	9,110
Depreciation		7	12
Total Expenditure		836	9,496
Profit/ (Loss) before tax		36,714	(8,436)
Less: Income tax	10	98	80
Profit after taxation		36,616	(8,516)
Notes to accounts	11		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **OOOJV Reddy Biomed Limited**

A. Ramachandra Rao
Partner
Membership No: 9750

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
500,000 equity shares of RUB 1 each (previous year : 500,000 equity shares of RUB 1 each)	4,509	4,509
Subscribed and paid-up		
500,000 equity shares of RUB 1 each (previous year : 500,000 equity shares of RUB 1 each) (Held by Dr. Reddy's Laboratories Limited,(Holding Company))	4,509	4,509
TOTAL	4,509	4,509
Schedule 1a : Profit & Loss A/c.		
Profit & loss A/c balance brought forward	(14,603)	(6,087)
Add:Profit/ (Loss) for the year	36,616	(8,516)
TOTAL	22,013	(14,603)

Schedules to Balance Sheet (Contd.)

Schedule - 2 : Fixed Assets (All amounts in Indian Rupees thousands, except share data)

	Gross Block			Depreciation					Net Block		
	As at 01-04-2009	Additions	Sale/ Adjust- ments	As at 31-03-2010	Acc Dep 01-04-2009	Deprn. for the Period	Sale/ Adjust- ments	Forex	Acc Dep 31-03-2010	As at 31-03-2010	As at 31-03-2009
Plant & Machinery	15	-	-	15	15	-	-	15	-	-	-
Furnitures and Fixtures	4	-	-	4	4	-	-	4	-	-	-
Vehicles	815	5	820	-	815	7	810	(12)	-	-	-
TOTAL	834	5	820	19	834	7	810	(12)	-	-	-
Previous Year	(327)	1,481	320	834	1,524	12	(148)	(850)	834	-	2,149

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 3 : Cash and bank balances		
Cash on hand	3	3
Balance with non-scheduled banks		
On current accounts	17,197	16,124
Balance with Statutory Authorities	23	451
Other Current Assets	232	90
TOTAL	17,455	16,668
Schedule 4 : Loans and advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	9,144	8,986
TOTAL	9,144	8,986
Schedule 5 : Current Liabilities		
Sundry creditors	-	34,303
Others Current Liabilities	77	1,407
TOTAL	77	35,710
Schedule 6 : Provisions		
Provision for Tax	-	38
TOTAL	-	38

Schedules to Profit and Loss Account

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 7 : Other income		
Interest income	1045	-
Exchange gain/ (loss), net	4,302	-
Miscellaneous income	32,203	1,060
TOTAL	37,550	1,060
Schedule 8 : Personnel costs		
Salaries, wages and bonus	670	374
Workmen and staff welfare expenses	-	-
TOTAL	670	374
Schedule 9 : Operating and other expenses		
Rent	-	-
Rates and taxes	4	-
Communication	51	49
Auditors' remuneration	15	-
Legal and professional	-	-
Bank charges	81	22
Exchange loss/ (gain), net	-	8,937
Sundry expenses	8	102
TOTAL	159	9,110
Schedule 10 : Provision for taxation		
Current taxes	98	80
Deferred taxes	-	-
TOTAL	98	80

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 11 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by the Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

d) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

e) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

f) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

g) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2010 (previous year Nil).

3. An authorised signatory has authenticated the financial statements along with a director, as the local laws do not require the appointment of more than one director.

4. Related Party Disclosures:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Due to related parties (Included in creditors) Dr. Reddy's Laboratories Limited	-	34,302
ii. Due from related parties (Included in Advances) OOO Dr. Reddy's Laboratories Limited	9,148	8,986

5. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification

- 6.** The Company, incorporated in Russia, is a 100% subsidiary of Dr. Reddy's Laboratories Limited as on date by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(852,468)	(494,284)
Balance Brought forward	(296,584)	197,700
Balance Carried forward to Balance Sheet	(1,149,052)	(296,584)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board

Place : Hyderabad
Date : 04/05/2010

G V Prasad
Director

Satish Reddy
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Promius Pharma LLC at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	122,692	122,692
Reserves & Surplus	2	70,590	4,877
		193,282	127,569
Loan funds			
Unsecured loans	3	1,178,675	281,560
		1,178,675	281,560
		1,371,957	409,129
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	117,078	132,187
Less: Accumulated depreciation		43,227	18,310
Net block		73,851	113,877
Capital work-in-progress (including capital advances)		-	-
		73,851	113,877
Current assets, loans and advances			
Inventories	5	64,743	78,999
Sundry debtors	6	37,038	14,208
Loans and advances	7	263,030	132,528
Advances		-	-
		364,811	225,735
Current liabilities and provisions			
Current liabilities	8	215,757	227,067
		215,757	227,067
Net current assets			
Profit & Loss Account		149,054	(1,332)
		1,149,052	296,584
		1,371,957	409,129
Notes to accounts	13		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramchandra Rao & Co.**
Chartered Accountants

for **Promius Pharma LLC**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		520,708	288,606
Other income	9	2,460	41,878
		523,168	330,484
Expenditure			
Material costs	10	116,602	73,866
Personnel costs	11	474,471	231,679
Operating and other expenses	12	701,891	414,490
Research and development expenses		54,216	92,246
Amortisation of intangibles		23,322	9,648
Depreciation		5,134	2,839
		1,375,636	824,768
Profit for the year		(852,468)	(494,284)
Balance in profit and loss account brought forward		(296,584)	197,700
Balance in profit and loss account carry forward		(1,149,052)	(296,584)

Notes to accounts

13

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramchandra Rao & Co.**
Chartered Accountants

for **Promius Pharma LLC**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share Capital		
Authorised		
Authorised Capital USD 2,760,000*	122,692	122,692
Issued, subscribed and paid-up		
Issued Capital USD 2,760,000*	122,692	122,692
TOTAL	122,692	122,692
* No concept of nature & number of shares in this company		
Schedule 2: Reserves & Surplus		
Securities premium account	464	464
Foreign Currency Translation Reserve	70,126	4,413
	70,590	4,877
Schedule 3 : Unsecured Loans		
Borrowings - Others	14,698	16,113
Borrowings - IU	1,163,977	265,447
	1,178,675	281,560
Schedule 5: Inventories		
Stores and spares	-	-
Raw materials	24,111	7,085
Work-in-process	-	-
Finished goods	40,632	71,914
	64,743	78,999
Schedule 6: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	25,239	6,723
Considered doubtful	542	75
	25,781	6,798
Less: Provision for doubtful debts	542	75
Other Current assets	11,799	7,485
	37,038	14,208

Schedules to Balance Sheet (Contd.)

Schedule - 4 : FIXED ASSETS (All amounts in Indian Rupees thousands, except share data)

Description	Gross Block				Depreciation				Net Block		
	As at 01.04.2009	Additions	Deletions/ Adjustments	Forex	As at 31.03.2010	As at 01.04.2009	For the year	Deletions/ Adjustments	Forex	As at 31.3.2010	As at 31.3.2009
Intangibles	114,295	-	-	(13,115)	101,180	15,395	23,322	-	(2,931)	35,786	98,900
Computers	17,709	59	-	(2,032)	15,736	2,910	5,112	-	(607)	7,415	14,799
Electrical/Office equipment	183	-	-	(21)	162	5	22	-	(1)	26	178
Total	132,187	59	-	(15,168)	117,078	18,310	28,456	-	(3,539)	43,227	113,877
Previous Year	6,846	122,312	-	3,029	132,187	4,371	12,487	-	1,452	18,310	113,877

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2010	As at 31 March 2009
Schedule 7 : Loans and advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	263,030	132,528
	263,030	132,528
Schedule 8: Current Liabilities		
Sundry creditors	268	11,410
Sundry creditors for expenses	23,800	17,530
Other Liabilities	191,689	198,127
	215,757	227,067

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 9 : Other income		
Interest on fixed deposits	1,754	50
Exchange gain, net	-	41,814
Miscellaneous income	706	14
	2,460	41,878
Schedule 10: Material Costs		
Raw materials purchased/ consumed	61,257	58,891
Purchase of traded goods	55,345	14,975
TOTAL	116,602	73,866
Schedule 11: Personnel costs		
Salaries, wages and bonus	428,165	201,049
Contribution to provident and other funds	41,391	21,635
Workmen and staff welfare expenses	4,915	8,995
	474,471	231,679
Schedule 12: Operating and other expenses		
Rent	21,557	11,600
Rates and taxes	604	225
Repairs and maintenance	-	4,865
Insurance	4,195	1,293
Travelling and conveyance	51,752	23,762
Communication	10,844	4,966
Other selling expenses	349,007	288,264
Printing and stationery	1,518	921
Legal and professional charges	61,209	30,690
Bad debts written-off	490	66
Bank charges	50	6
Sundry expenses	200,573	47,832
Forex loss/ (gain), net	92	-
	701,891	414,490

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 13 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

d) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

e) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

g) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	<u>Years</u>
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

h) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

3. Related party Transactions:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i) Due to related parties (included in Advances): Dr. Reddy's Laboratories Limited	136,476	34,419
ii) Due from related parties (included in Borrowings): Dr. Reddy's Laboratories Inc.	1,163,977	265,447

4. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2010 (previous year : Nil).

5. The Company incorporated in the United States of America, is a 100% subsidiary of Dr. Reddy's Laboratories Inc., which is a subsidiary of Dr. Reddy's Laboratories SA.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(4,651)	(2,594)
Balance Brought forward	-	-
Balance Carried forward to Balance Sheet	(4,651)	(2,594)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net profit/ loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Dr. K. Anji Reddy
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Antilles N.V. as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. RAMACHANDRA RAO & CO.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	17,969	17,969
Reserves and surplus	2	173,789	178,440
Loan funds			
Unsecured loans	3	258,472	308,284
TOTAL		450,230	504,693
APPLICATION OF FUNDS			
Investments			
	4	357,700	357,698
Current assets, loans and advances			
Cash and bank balances	5	3,227	4,442
Loans and advances	6	89,826	147,707
		93,053	152,149
Current liabilities and provisions			
Current liabilities	7	523	5,154
		523	5,154
Net current assets		92,530	146,995
TOTAL		450,230	504,693
Notes to accounts	10		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Reddy Antilles N.V.**

A. Ramachandra Rao
Partner
Membership No: 9750

Dr. K. Anji Reddy
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income	8	23,331	-
TOTAL		23,331	-
Expenditure			
Operating and other expenses	9	27,982	2,594
Total Expenditure		27,982	2,594
Profit/ (Loss)before tax		(4,651)	(2,594)
Income tax		-	-
Profit after taxation		(4,651)	(2,594)
Notes to accounts	10		

The schedules referred to above are integral part of the Profit and Loss Account.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Reddy Antilles N.V.**

A. Ramachandra Rao
Partner
Membership No: 9750

Dr. K. Anji Reddy
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
1,000,000 equity shares of USD 1 each (previous year: 1,000,000 equity shares of USD 1 each)	35,938	35,938
Issued, Subscribed and paid-up		
500,000 equity shares of USD 1 each (previous year: 500,000 equity shares of USD 1 each) (Held by Dr. Reddy's Laboratories Limited)	17,969	17,969
TOTAL	17,969	17,969
Schedule 2 : Reserves and surplus		
<u>General reserve:</u>		
Balance at the beginning of the year	178,440	181,034
Profit/ (loss) for the year	(4,651)	(2,594)
TOTAL	173,789	178,440
Schedule 3 : Unsecured Loan		
Borrowings - IU	258,472	308,284
TOTAL	258,472	308,284
Schedule 4 : Investments		
Investment in subsidiaries	357,700	357,698
TOTAL	357,700	357,698
Schedule 5: Cash and bank balances		
Balance with non-scheduled banks		
On current account	3,227	4,442
On deposit account	-	-
TOTAL	3,227	4,442

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 6 : Loans and advances		
(Unsecured)		
<i>Considered good</i>		
Advances - IU	50,982	-
Other advances recoverable in cash or in kind or for value to be received	38,134	146,678
Advance tax (net of provision for current taxes)	-	1,019
Prepaid expenses	59	43
Other current assets	651	(33)
TOTAL	89,826	147,707
Schedule 7 : Current Liabilities		
Sundry creditors	-	685
Others Current Liabilities	159	4,260
Accrued Expenses	364	209
TOTAL	523	5,154

Schedules to the Profit and Loss Account

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 8 : Other income		
Interest income	-	-
Miscellaneous income	23,331	-
TOTAL	23,331	-
Schedule 9 : Operating and other expenses		
Bank charges	-	13
Exchange loss (net)	-	1,987
Sundry expenses	27,274	-
Legal and professional	708	594
TOTAL	27,982	2,594

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 10 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

e) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit

and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

f) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2010 (previous year Nil).

3. Related Party Disclosures

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Due from related parties(Advances)		
Reddy Netherlands B.V	20,883	13,933
OOO DRS LLC	30,098	29,564
ii. Due to related parties (Borrowings)		
Dr. Reddy's Laboratories SA	11,282	12,745
Dr. Reddy's Laboratories Ltd.	247,190	295,080

4. An authorised signatory has authenticated the financial statements along with a director, as the local laws do not require the appointment of more than one director.

5. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

6. The Company, incorporated in Antilles (Netherlands), is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	9,552	(1,285)
Balance Brought forward	(11,569)	(10,284)
Balance Carried forward to Balance Sheet	(2,017)	(11,569)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Dr. K. Anji Reddy
Director

G V Prasad
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Cheminor S.A. as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. RAMACHANDRA RAO & CO.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS:			
Shareholders' funds			
Share capital	1	1,958	1,958
Loan Funds			
Unsecured loans	2	5,029	5,610
		6,987	7,568
APPLICATION OF FUNDS			
Current assets, loans and advances			
Sundry debtors	3	19,871	3,685
Cash and bank balances	4	26	29
Loans and advances	5	2,000	5,734
		21,897	9,448
Current liabilities and provisions			
Current liabilities	6	16,927	13,449
		16,927	13,449
Net current assets		4,970	(4,001)
Profit and Loss Account		2,017	11,569
		6,987	7,568
Notes to accounts	9		

The schedules referred to above are integral part of the Balance Sheet.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

for **Reddy Cheminor SA**

Dr. K. Anji Reddy
Director

G V Prasad
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income	7	9,552	-
Total		9,552	-
Expenditure			
Operating and other expenses	8	-	1,285
Total Expenditure		-	1,285
Profit/ (Loss)before tax		9,552	(1,285)
Less : Income tax		-	-
Profit after taxation		9,552	(1,285)
Balance in profit and loss account brought forward		(11,569)	(10,284)
Balance in profit and loss account carried forward		(2,017)	(11,569)
Notes to accounts	9		

The schedules referred to above are integral part of the Profit and Loss Account.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner

Membership No: 9750

Place : Hyderabad

Date : 04/05/2010

for **Reddy Cheminor SA**

Dr. K. Anji Reddy
Director

G V Prasad
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 :		
Authorised		
2,500 equity shares of EUR 16 each (previous year: 2,500 equity shares of EUR 16 each)	1,958	1,958
Issued, Subscribed and paid-up		
2,500 equity shares of EUR 16 each (previous year: 2,500 equity shares of EUR 16 each) (Held by Dr.Reddy's Laboratories Limited)	1,958	1,958
TOTAL	1,958	1,958
Schedule 2 : Unsecured loans		
Borrowings - Others	5,029	5,610
Borrowings - IU	-	-
TOTAL	5,029	5,610
Schedule 3 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months	-	178
Considered good	-	-
Other Current Assets	19,871	3,507
TOTAL	19,871	3,685
Schedule 4 : Cash and bank balances		
Cash on hand	26	29
Balance with non-scheduled banks	-	-
On current accounts	-	-
On deposit accounts	-	-
TOTAL	26	29
Schedule 5 : Loans and advances (Unsecured)		
Other advances recoverable in cash or in kind or for value to be received	2,000	5,734
TOTAL	2,000	5,734
Schedule 6 : Current Liabilities		
Sundry creditors	16,553	13,449
Other Current Liabilities	374	-
TOTAL	16,927	13,449

Schedules to the Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 7 : Other income		
Interest income		
Miscellaneous income	9,552	-
Forex Gain	-	-
TOTAL	9,552	-
Schedule 8 : Operating and other expenses		
Communication		
Auditors' remuneration	-	104
Legal and professional	-	382
Bank charges	-	13
Sundry expenses	-	239
Exchange gain or loss	-	547
TOTAL	-	1,285

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 9: Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of consolidated financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the consolidated financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated exclusive of returns, applicable trade discounts and allowances.

e) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

f) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Related party Disclosures:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Due from related parties (included in Advances)		
Dr. Reddy's Laboratories (UK) Limited	-	214

3. Commitments and contingent liabilities

There are no commitments or contingent liabilities as at 31 March 2010 (previous year Nil).

4. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in France, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(665,570)	(1,740,639)
Balance Brought forward	(5,395,147)	(3,654,508)
Balance Carried forward to Balance Sheet	(6,060,717)	(5,395,147)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Incorporation of a Subsidiary

During the year under review, Dr. Reddy's Laboratories International SA (Swiss) was incorporated as a subsidiary of the Company.

Directors

During the year under review, Mr. V.S. Vasudevan has resigned from the Board of Directors of the Company w.e.f 31 March 2010.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

G V Prasad
Director

Michael Ewers
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Holding GmbH as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the balance sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS:			
Shareholders' funds			
Share capital	1	1,350	1,350
Reserves & surplus	2	9,819,089	7,270,153
		9,820,439	7,271,503
Loan funds			
Secured loans	3	244,772	280,587
Unsecured loans	4	25,028,825	25,470,739
		25,273,597	25,751,326
		35,094,036	33,022,829
APPLICATION OF FUNDS			
Investments			
	5	26,067,424	26,063,322
Current assets, loans and advances			
Sundry debtors		21,921	-
Cash and bank balances	6	26,536	11,833
Loans and advances	7	3,057,560	1,766,094
		3,106,017	1,777,927
Current liabilities and provisions			
Current liabilities	8	568,829	491,011
		568,829	491,011
Net current assets		2,537,188	1,286,916
Deferred tax assets		428,707	277,444
Profit & Loss Account		6,060,717	5,395,147
		35,094,036	33,022,829
Notes to accounts	14		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for A. Ramachandra Rao & Co.
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

for Reddy Holding GmbH

G V Prasad
Director

Michael Ewers
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		39,765	31,921
Other income	9	494,239	50,855
		534,004	82,776
Expenditure			
Material costs		19,162	-
Personnel costs	10	318,878	392,263
Operating and other expenses	11	248,619	157,209
Finance charges	12	839,306	1,634,405
		1,425,965	2,183,877
Profit before taxation		(891,961)	(2,101,101)
Provision for tax	13		
- Current tax		(519)	-
- Deferred tax expense/ (benefit)		(225,872)	(360,462)
Profit for the year		(665,570)	(1,170,639)
Balance in profit and loss account brought forward		(5,395,147)	(3,654,508)
Balance carried forward		(6,060,717)	(5,395,147)

Notes to accounts

14

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for A. Ramachandra Rao & Co.
Chartered Accountants

for Reddy Holding GmbH

A. Ramachandra Rao
Partner
Membership No: 9750

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Michael Ewers
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
Authorised capital 25,000 EUR	1,350	1,350
Issued, Subscribed and paid-up		
Issued capital 25,000 EUR	1,350	1,350
Schedule2: Reserves & Surplus		
Share Premium	5,954,516	5,940,550
Foreign currency Transaction Reserve	3,864,573	1,329,603
	9,819,089	7,270,153
Schedule 3: Secured Loans		
<i>Loans from banks</i>		
Term loan from bank	244,772	280,587
	244,772	280,587
Schedule 4: Unsecured Loans		
Borrowings - IU	25,028,714	25,470,665
Borrowings from others	111	74
	25,028,825	25,470,739
Schedule 5: Investments		
(Long term at cost)		
Investment in subsidiary	26,067,424	26,063,322
	26,067,424	26,063,322

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 6: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	21,921	-
	21,921	-
Schedule 6: Cash and bank balances		
Balances with banks		
On current accounts	26,536	11,833
	26,536	11,833
Schedule 7: Loans and advances (Unsecured)		
Other advances recoverable in cash or in kind or for value to be received	609,344	1,318,420
Advance tax (net of provision for current taxes)	9,181	12,176
Other Current assets	2,439,035	435,498
	3,057,560	1,766,094
Schedule 8: Current Liabilities		
Other Current Liabilities	162,274	226,684
Income tax payable	406,555	264,327
	568,829	491,011

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 9: Other income		
Interest on fixed deposits	21,804	50,851
Exchange gain, net	1,718	4
Miscellaneous income	470,717	-
	494,239	50,855
Schedule 10: Personnel costs		
Salaries, wages and bonus	231,429	341,653
Contribution to provident and other funds	29,792	28,282
Workmen and staff welfare expenses	57,657	22,328
	318,878	392,263
Schedule 11: Operating and other expenses		
Rates and taxes	4,104	16,940
Repairs and maintenance	6,921	7,198
Insurance	-	5,134
Travelling and conveyance	8,640	8,139
Communication	24,840	40,702
Advertisements	5,967	4,357
Other selling expenses	19,635	3,969
Printing and stationery	2,078	3,296
Legal and professional charges	13,995	35,861
Donations	738	42
Bad debts written-off	1,178	-
Auditors' remuneration	15,924	16,605
Bank charges	2	174
Sundry expenses	144,597	14,792
	248,619	157,209

Schedules to Profit and Loss Account (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 12: Finance charges		
Interest on loans	839,306	1,634,405
	839,306	1,634,405
Schedule 13: Provision for tax		
Current taxes	519	-
Deferred taxes	(225,872)	(360,462)
	(226,391)	(360,462)

Schedules to Balance Sheet and Profit and Loss Account

Schedule 14 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from sale of products is stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

e) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

f) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

g) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2010

3. Deferred taxation

(Rs. in thousands)

	As at	As at
	31 March 2010	31 March 2009
Deferred tax asset/ (liability)		
Other Current assets	186,365	(9,916)
Loss Carry forward	379,242	408,867
Sundry Debtors	(12,484)	(4,192)
Current Liabilities	17,274	30,159
Inventory	(100)	(6,096)
Depreciation	(141,590)	(141,378)
Deferred tax asset/ (liability), net	428,707	277,444

4. Related party disclosures

a. The Company has following amounts due from/ to related parties:

(Rs. in thousands)

Particulars	As at	As at
	31 March 2010	31 March 2009
i. Due to related parties (included in unsecured loans)		
Dr. Reddy's Laboratories SA	845,188	-
Lacock Holdings Limited	24,218,156	25,470,665
ii. Due from related parties (Included in Advances)		
Lacock Holdings Limited	609,053	799,203
Dr. Reddy's Laboratories Limited	-	6,603
Dr. Reddy's Laboratories (UK) Limited	-	65,781

5. The Company, incorporated in Germany, is a 100% Subsidiary of Lacock Holdings Limited.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(10,882)	(3,700)
Balance Brought forward	(11,897)	(8,197)
Balance Carried forward to Balance Sheet	(22,779)	(11,897)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

G V Prasad
Director

Satish Reddy
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Netherlands B.V. as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	754	754
Loan funds			
Unsecured loans	2	24,548	16,294
TOTAL		25,302	17,048
APPLICATION OF FUNDS			
Current assets, loans and advances			
Sundry debtors	3	-	7,416
Cash and bank balances	4	1,152	1,308
Loans and advances	5	1,371	1
Current liabilities and provisions			
Current liabilities	6	-	3,574
Net current assets		2,523	5,151
Profit & Loss Account		22,779	11,897
TOTAL		25,302	17,048
Notes to accounts	8		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for A Ramchandra Rao & Co.
Chartered Accountants

for Reddy Netherlands BV

A Ramachandra Rao
Partner
Membership No: 9750

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income		52	-
Total		52	-
Expenditure			
Operating and other expenses	7	10,934	3,700
Total Expenditure		10,934	3,700
Profit/ (Loss) before tax		(10,882)	(3,700)
Income tax expense/ (benefit)		-	-
Profit after taxation		(10,882)	(3,700)
Balance in profit/ (loss) account brought forward		(11,897)	(8,197)
Balance in profit/ (loss) account carried forward		(22,779)	(11,897)

Notes to accounts 8

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for A Ramchandra Rao & Co.
Chartered Accountants

for Reddy Netherlands BV

A Ramachandra Rao
Partner
Membership No: 9750

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at	As at
	31 March 2010	31 March 2009
Schedule 1 : Share capital		
Authorised		
1,820 equity shares of EUR 50 each	3,770	3,770
	3,770	3,770
Issued, Subscribed and paid-up		
364 equity shares of EUR 50 each (Held by Reddy Antilles N.V (Holding Company))	754	754
	754	754
TOTAL	754	754
Schedule 2 : Unsecured loans		
Borrowings - Others	-	-
Other borrowings - IU	24,548	16,294
	24,548	16,294
TOTAL	24,548	16,294
Schedule 3 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months Considered good	-	7416
	-	7416
TOTAL	-	7416
Schedule 4 : Cash and Bank Balances		
Cash on hand	-	-
Balance with Scheduled banks		
On current accounts	1,152	789
Balance with non-scheduled banks		
On current accounts	-	519
	1,152	1,308
TOTAL	1,152	1,308
Schedule 5 : Loans and advances (Unsecured)		
Other advances recoverable in cash or in kind or for value to be received	1,371	1
	1,371	1
TOTAL	1,371	1
Schedule 6 : Current Liabilities		
Sundry creditors		
Accrued Expenses	-	2
Other Current Liabilities	-	3,572
	-	3,574
TOTAL	-	3,574

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 7 : Operating and other expenses		
Bank charges	26	8
Exchange loss/ (gain), net	-	2,783
Sundry expenses	10,908	909
TOTAL	10,934	3,700

Schedule to Balance Sheet and Profit and Loss Account (Contd.)

Schedule 8 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Retirement benefits

Contributions payable employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

d) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

e) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

f) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There are no commitments and contingent liabilities as on 31 March 2010 (previous year : Nil).

3. Related party Disclosures:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As At 31 March 2009
i. Due to related parties (included in Borrowings)		
Reddy Antilles N.V	20,871	13,933
Dr. Reddy's Laboratories SA	3,677	2,360

4. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

- 5.** The Company, incorporated in the Netherlands, is a 100% subsidiary of Reddy Antilles N.V. Reddy Antilles N.V. is incorporated in Netherlands, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Pharma Iberia SA as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	321,090	321,090
Reserves & Surplus	2	39,960	(194)
Unsecured loans	3	332,524	273,525
		693,574	594,421
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	20,765	23,823
Less: Accumulated depreciation		20,765	21,804
Net block		-	2,019
Current assets, loans and advances			
Inventories	5	2	49,105
Sundry debtors	6	14,797	27,469
Cash and bank balances	7	11,490	6,491
Loans and advances	8	8,735	12,183
		35,024	95,248
Current liabilities and provisions			
Current liabilities	9	38,685	39,679
Deferred Revenue Income		3,633	-
		42,318	39,679
Net current assets		(7,294)	55,569
Profit & Loss Account		700,868	536,833
		693,574	594,421

Notes to accounts 15

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 04/05/2010

for **Reddy Pharma Iberia SA**

Sameer Natu
Director

Jose Manuel Mosquera
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		55,741	59,662
Other income	10	18	4
		55,759	59,666
Expenditure			
Material costs	11	97,469	90,377
Personnel costs	12	61,859	65,763
Operating and other expenses	13	54,847	68,371
Amortisation of intangibles		3,610	16,359
Finance charges	14	-	1,817
Depreciation		2,009	1,254
		219,794	243,941
Profit/ (loss) for the year		(164,035)	(184,275)
Balance in profit and loss account brought forward		(536,833)	(352,558)
Balance in profit and loss account carried forward		(700,868)	(536,833)

Notes to accounts

15

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

for **Reddy Pharma Iberia SA**

A. Ramachandra Rao
Partner
Membership No. 9750

Sameer Natu
Director

Place : Hyderabad
Date : 04/05/2010

Jose Manuel Mosquera
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2010	As at 31 March 2009
Schedule 1: Share capital		
Authorised		
5,566,000 shares of EUR 1 each	321,090	321,090
Issued, Subscribed and paid-up		
5,566,000 shares of EUR 1 each	321,090	321,090
	321,090	321,090
Schedule 2: Reserves & Surplus		
Securities premium account	41	41
Foreign Currency Translation Reserve	39,919	(235)
Total	39,960	(194)
Schedule 3: Unsecured Loans		
Borrowings - IU	332,524	273,525
	332,524	273,525
Schedule 5 : Inventories		
Finished goods	2	49,105
	2	49,105
Schedule 6: Sundry debtors (Unsecured)		
Considered good	14,225	23,072
Other Current assets	572	4,397
	14,797	27,469
Schedule 7: Cash and bank balances		
Cash in hand	15	13
On current accounts	11,475	6,478
	11,490	6,491
Schedule 8: Loans and advances (Unsecured)		
Advances recoverable in cash or in kind or for value to be received	7,812	12,183
Deposits	923	-
	8,735	12,183
Schedule 9: Current Liabilities		
Sundry creditors	12,816	26,536
Other Current Liabilities	24,406	10,615
TDS Payable	1,463	2,528
	38,685	39,679

Schedules to Balance Sheet (Contd.)

Schedule - 2 : Fixed Assets

(All amounts in Indian Rupees thousands, except share data)

	Gross Block				Depreciation				Net Block			
	Gross Block 1-04-2009	Additions	Deletions	Forex	Gross Block 31-03-2010	Acc Dep 01-04-2009	Dep. for the year	Dele- tions	Forex	Acc Dep 31-03-2010	Net Block 31.03.2010	Net Block 31.03.2009
Plant & Machinery	158	-	153	(5)	-	1,079	554	1,625	(8)	-	-	(921)
Lease hold equipment	406	-	374	(32)	-	173	295	370	(98)	-	-	233
Computers & Software	1,638	-	1,532	(106)	-	601	1,160	1,652	(109)	-	-	1,037
Furniture & Fixtures	1,957	-	1,447	(510)	-	944	-	619	(325)	-	-	1,013
Office equipment	848	-	383	(465)	-	191	-	179	(12)	-	-	657
Intangibles	18,816	-	-	1,949	20,765	18,816	3,610	-	(1,661)	20,765	-	-
Total:	23,823	-	3,889	831	20,765	21,804	5,619	4,445	(2,213)	20,765	-	2,019
Previous Year	22,231	-	-	1,592	23,823	3,076	17,613	-	1,115	21,804	2,019	19,155

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 10: Other income		
Exchange gain, net	18	2
Miscellaneous income	-	2
	18	4
Schedule 11 : Material costs		
Opening stock of Finished goods	408	58,364
Closing stock of Finished goods	1	58,772
Net (increase)/ decrease	407	(408)
Raw materials purchased	97,062	90,785
TOTAL	97,469	90,377
Schedule 12: Personnel costs		
Salaries, wages and bonus	61,859	65,763
	61,859	65,763
Schedule 13: Operating and other expenses		
Power and fuel	8	10
Rent	2,296	1,459
Rates and taxes	6	109
Repairs and maintenance		
Buildings	36	825
Plant and machinery	-	-
Insurance	91	441
Travelling and conveyance	4,170	8,071
Communication	1,047	1,445
Other selling expenses	34,250	32,900
Legal and professional charges	3,965	7,322
Bank charges	271	361
Sundry expenses	8,707	15,428
	54,847	68,371
Schedule 14: Finance charges		
Interest on loans	-	1,817
Other finance charges	-	-
	-	1,817

Schedules to Balance Sheet and Profit and Loss Account

Schedule 13 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management.

Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Buildings:	
- Factory and administrative buildings	20 to 39
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office machinery & equipment	4 to 8
Computer equipment	3
Vehicles	4 to 5

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	<u>Years</u>
Intangible	5-10

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

f) Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

g) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

h) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

i) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated exclusive of returns, applicable trade discounts and allowances.

Service income is recognized as per the terms of contracts with customers when the related services are performed.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

k) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as on 31 March 2010 (previous year : Nil).

3. Related Party Disclosure

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Due to related parties (included in unsecured loans):		
Dr. Reddy's Laboratories SA, Switzerland	332,489	269,760
Dr. Reddy's Laboratories (UK) Limited	36	3,765
ii. Due to related parties (included in Creditors):		
Dr. Reddy's Laboratories Limited	11,274	5,602

4. The Company, incorporated in Iberia, Spain is a 100% Subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(13,745)	389
Balance Brought forward	(57,701)	(58,090)
Balance Carried forward to Balance Sheet	(71,446)	(57,701)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Directors

Mr. V.S. Vasudevan has resigned as Director from the Board of the Company during the year under review.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

G.V. Prasad
Director

Satish Reddy
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Pharma Italia SPA as at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	62,794	62,794
Reserves & Surplus	2	21,645	4,306
Loan funds			
Unsecured loans	3	572,788	467,022
		657,227	534,122
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	2,001	823
Less: Accumulated depreciation		911	360
Net block		1,090	463
Capital work-in-progress (including capital advances)		-	1,155
		1,090	1,618
Investments		159,836	159,836
Current assets, loans and advances			
Sundry debtors	5	81,170	86,626
Cash and bank balances	6	923	470
Loans and advances	7	362,715	246,156
		444,808	333,252
Current liabilities and provisions			
Current liabilities	8	19,953	18,285
		19,953	18,285
Net current assets		424,855	314,967
Profit & Loss Account		71,446	57,701
		657,227	534,122

Notes to accounts

12

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

for **Reddy Pharma Italia S.P.A**

G.V. Prasad
Director

Satish Reddy
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sales		-	14,606
Other income	9	19,841	56,443
		19,841	71,049
Expenditure			
Material costs		14,778	-
Personnel costs	10	28,182	21,582
Operating and other expenses	11	4,549	33,944
Depreciation		855	356
		33,586	70,660
Profit/ (loss) for the year		(13,745)	389
Balance in profit and loss account brought forward		(57,701)	(58,090)
Balance in profit and loss account carried forward		(71,446)	(57,701)

Notes to accounts

12

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad

Date : 04/05/2010

for **Reddy Pharma Italia S.P.A**

G.V. Prasad
Director

Satish Reddy
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2010	As at 31 March 2009
Schedule 1: Share capital		
Authorised		
120,000 equity share of 1 EUR each	62,794	62,794
Issued, Subscribed and paid-up		
120,000 equity shares of 1 EUR each	62,794	62,794
	62,794	62,794
Schedule 2: Reserves & Surplus		
Foreign Currency Translation Reserve	21,645	4306
Total	21645	4306
Schedule 3: Unsecured Loans		
Borrowings - IU	572,788	467,022
	572,788	467,022
Schedule 5: Sundry Debtors		
Debts outstanding for a period exceeding six months		
- Considered good	79,683	86,084
Other Current Assets	1,487	542
	81,170	86,084
Schedule 6: Cash and bank balances		
Balances with banks		
- On current accounts	923	470
	923	470
Schedule 7: Loans and advances (Unsecured)		
Considered good		
Other advances recoverable in cash or in kind or for value to be received	362,715	246,156
	362,715	246,156
Schedule 8: Current Liabilities		
Sundry creditors	6,669	4,765
Other current liabilities	13,284	13,520
	19,953	18,285

Schedules to Balance Sheet (Contd.)

Schedule - 4 : Fixed Assets
(All amounts in Indian Rupees thousands, except share data)

	Gross Block				Depreciation				Net Block	
	As at 01.04.2009	Acqui- sition	Additions	Deductions	As at 31.03.2010	For the Year	Deductions	Forex	As at 31.03.2010	As at 31.03.2009
Land - freehold	-	-	1,291	-	1,291	547	-	35	709	-
Computers	338	-	-	338	-	-	360	27	-	5
Furniture and fixtures	485	-	303	78	710	308	-	(6)	381	458
Total	823	-	1,594	416	2,001	855	360	56	1,090	463
Previous year	-	823	-	-	823	356	-	4	463	463

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 9: Other income		
Interest on fixed deposits	-	834
Miscellaneous income	19,841	55,609
	19,841	56,443
Schedule 10: Personnel costs		
Salaries, wages and bonus	28,182	21,582
	28,182	21,582
Schedule 11: Operating and other expenses		
Travelling and conveyance	1,064	943
Legal and professional charges	3,422	28,490
Bank charges	63	172
Sundry expenses	-	4,339
	4,549	33,944

Schedules to Balance Sheet and Profit and Loss Account

Schedule 12 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales is stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

e) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2010.

3. Related party disclosures

a. The Company has following amounts due from/ to related parties:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Due to related parties (included in unsecured loans): Lacock Holdings Limited	572,787	467,022
ii. Due to related parties (included in Creditors): Dr. Reddy's Laboratories Limited	4,308	4,765
iii. Due from related parties (included in Advances): Dr. Reddy's SRL	362,715	246,156
iv. Due from related parties (included in Debtors): Dr. Reddy's SRL	78,207	86,357

4. The Company, incorporated in Italy, is a 100% subsidiary of Lacock Holdings Limited. Lacock Holding Limited, incorporated Cyprus, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% share holding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(87,809)	23,181
Balance Brought forward	37,416	14,235
Balance Carried forward to Balance Sheet	(50,393)	37,416

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad

Date : 04/05/2010

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Pharmaceuticals Hong Kong Limited at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	58,021	58,021
Reserves and surplus		-	-
TOTAL		58,021	58,021
APPLICATION OF FUNDS			
Current assets, loans and advances			
Inventories	2	-	96
Sundry debtors	3	-	1
Cash and bank balances	4	2,133	18,616
Loans and advances	5	7,693	132,256
Current liabilities and provisions			
Current liabilities	6	2,198	55,532
Provisions		-	-
Net current assets		7,628	95,437
Profit and Loss Account		50,393	(34,416)
TOTAL		58,021	58,021

Notes to accounts 10

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramchandra Rao & Co.**
Chartered Accountants

for **Reddy Pharmaceuticals Hong Kong Ltd.**

A. Ramachandra Rao
Partner
Membership No: 9750

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income	7	-	23,182
TOTAL		-	23,182
Expenditure			
Material Costs	8	96	-
Operating and other expenses	9	87,713	1
Total Expenditure		87,809	1
Profit (loss) before tax		(87,809)	23,181
Income tax expense/ (benefit)		-	-
Profit after taxation		(87,809)	23,181
Balance in profit/ (loss) account brought forward		37,416	14,235
Balance in profit/ (loss) account carried forward		(50,393)	37,416
Notes to accounts	10		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramchandra Rao & Co.**
Chartered Accountants

for **Reddy Pharmaceuticals Hong Kong Ltd.**

A. Ramachandra Rao
Partner
Membership No: 9750

G V Prasad
Director

Place : Hyderabad
Date : 04/05/2010

Satish Reddy
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
12,000,000 equity shares of HK\$ 1 each (previous year: 12,000,000 equity shares of HK\$ 1 each)	59,893	59,893
Issued, Subscribed and paid-up		
11,625,000 equity shares of HK\$ 1 each (previous year: 11,625,000 equity shares of HK\$ 1 each) (Held by Dr.Reddy's Laboratories Limited,(Holding Company))	58,021	58,021
TOTAL	58,021	58,021
Schedule 2 : Inventories		
Finished goods	-	96
TOTAL	-	96
Schedule 3 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months	-	-
Considered good	-	-
Considered doubtful	32,320	36,510
	32,320	36,510
<i>Less: Provision for doubtful debts</i>	32,320	36,509
TOTAL	-	1
Schedule 4 : Cash and bank balances		
Balance with non-scheduled banks		
- On current account	2,133	18,616
TOTAL	2,133	18,616
Schedule 5 : Loans and advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	7,693	121,219
Other Current Assets	-	11,037
	7,693	132,256
Schedule 6 : Current Liabilities		
Sundry creditors	2,181	4,871
Accrued Expenses	-	312
Other Current Liabilities	17	50,349
TOTAL	2,198	55,532

Schedules to the Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Schedule	For the year ending 31 March 2010	For the year ending 31 March 2009
Schedule 7 : Other income		
Exchange Gain	-	23,182
Interest Income	-	-
TOTAL	-	23,182
Schedule 8 : Material costs		
Opening stock of Finished goods	96	96
<i>Add:</i> Purchases		
<i>Less:</i> Closing stock of Finished goods	-	96
Net (increase)/ decrease	96	-
Schedule 9 : Operating and other expenses		
Forex loss/ (gain), net	9,398	-
Other General Expenses	78,315	1
TOTAL	87,713	1

Schedules to Balance Sheet and Profit and Loss Account

Schedule 10 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded)	Cost of purchase
Goods in transit	At actual cost

d) Retirement benefits

Contributions payable employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

e) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

f) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales is stated exclusive of returns, applicable trade discounts and allowances.

g) Income-tax expense

Income tax expense comprises current tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

h) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There are no commitments and contingent liabilities as on 31 March 2010 (previous year : Nil).

3. Related Party Disclosures:

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Due to related parties(Advances)		
Reddy Antilles N.V	-	39,725

4. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in Hong Kong, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(89,410)	1,261
Balance Brought forward	(13,218)	(14,479)
Balance Carried forward to Balance Sheet	(102,628)	(13,218)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 04/05/2010

Dr. K Anji Reddy
Director

G V Prasad
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy US Therapeutics at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	954	954
Reserves and surplus	2	93,163	97,366
		94,117	98,320
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	-	93,351
<i>Less: Accumulated depreciation</i>		-	77,860
Net block		-	15,491
Investments			
Current assets, loans and advances			
Sundry debtors	4	21,877	55,488
Cash and bank balances	5	1,346	11,451
Loans and advances	6	2,038	2,324
Current liabilities and provisions			
Current liabilities	7	33,772	28,060
Net current assets		(8,511)	41,203
Deferred tax asset		-	28,408
Profit & Loss Account		102,628	13,218
		94,117	98,320
Notes to accounts	11		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for A. Ramchandra Rao & Co.
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 04/05/2010

for Reddy US Therapeutics Inc

Dr. K. Anji Reddy
Director

G.V. Prasad
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ending 31 March 2010	For the year ending 31 March 2009
Income			
Other income	8	88,246	189,019
Total		88,246	189,019
Expenditure			
Personnel costs	9	9,846	8,411
Operating and other expenses	10	78,796	38,798
Research and development expenses		59,926	131,103
Depreciation		2,342	9,919
Total Expenditure		150,910	188,231
Profit/ (Loss)before tax		(62,664)	788
Income tax expense / (benefit)		26,746	(473)
Profit after taxation		(89,410)	1,261
Balance in profit/ (loss) account brought forward		(13,218)	(14,479)
Balance in profit/ (loss) account carried forward		(102,628)	(13,218)

Notes to accounts 11

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for A. Ramchandra Rao & Co.
Chartered Accountants

for Reddy US Therapeutics Inc

A. Ramachandra Rao
Partner
Membership No. 9750

Dr. K. Anji Reddy
Director

Place : Hyderabad
Date : 04/05/2010

G.V. Prasad
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
10,000,000 equity shares of USD 0.0001 each (previous year: 10,000,000 equity shares of US\$ 0.0001 each)	1,003	1,003
Issued, Subscribed and paid-up		
9,791,500 equity shares of USD 0.0001 each (previous year: 9,791,500 equity shares of USD 0.0001 each)	954	954
TOTAL	954	954
Schedule 2 : Reserves and Surplus		
<u>Securities premium account:</u>		
Balance at the beginning of the year	92,698	92,698
Foreign Currency Translation Reserve	465	4,668
TOTAL	93,163	97,366
Schedule 4 : Sundry debtors		
Debts outstanding for a period exceeding six months		
Considered good	21,877	53,631
Other Current Assets	-	1,857
	21,877	55,488
Schedule 5 : Cash and bank balances		
Cash on hand	-	-
Balance with non-scheduled banks on current account	1,346	11,451
TOTAL	1,346	11,451
Schedule 6 : Loans and advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	-	506
Deposits	2,038	1,818
TOTAL	2,038	2,324
Schedule 7 : Current Liabilities		
Sundry creditors	16	2,156
Accrued Expenses	27,069	15,257
Others Current Liabilities	6,687	10,647
TOTAL	33,772	28,060

Schedules to Balance Sheet (Contd.)

Schedule - 3 : Fixed Assets (All amounts in Indian Rupees thousands, except share data)

	Gross Block				Depreciation				Net Block	
	As At 01.04.09	Addi- tions	Dele- tions	Forex	As at 31.03.10	Addi- tions	Dele- tions	Forex	As at 31.03.10	As at 31.03.09
Improvements	17,584	-	15,566	(2,018)	-	316	9,312	(1,522)	-	7,691
Plant and Machinery	52,335	-	46,330	(6,005)	-	1,358	39,972	(6,539)	-	11,063
Furniture and Fixtures	8,375	-	7,415	(960)	-	237	6,986	(1,143)	-	538
Computers	15,057	-	13,330	(1,728)	-	430	12,658	(2,071)	-	1,202
TOTAL	93,351	-	82,640	(10,711)	-	2,342	68,927	(11,275)	-	20,495
Previous Year	80,606	20,923	7,176	(1,002)	93,351	9,919	-	15,006	77,660	15,491

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 8 : Other income		
<i>Interest income</i>		
- On fixed deposits	3	78
Miscellaneous income	88,243	188,941
TOTAL	88,246	189,019
Schedule 9 : Personnel costs		
Salaries, wages and bonus	9,288	8,411
Contribution to provident and other funds	-	-
Workmen and staff welfare expenses	558	-
TOTAL	9,846	8,411
Schedule 10 : Operating and other expenses		
Repairs and maintenance	17	-
Rates and taxes	9,227	21,220
Insurance	324	827
Communication	34	-
Printing and stationery	-	-
Loss on sale of assets	12,316	-
Legal and professional	14,192	16,339
Bank charges	109	393
Sundry expenses	1,330	19
Rent Expenses	41,247	-
TOTAL	78,796	38,798

Note :Legal and professional charges include auditor's remuneration paid to the foreign auditor for the purpose of audit as per local laws

Schedules to Balance Sheet and Profit and Loss account

Schedule 11 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	<u>Years</u>
Plant and machinery	3 to 15
Furniture and fixtures & Office Equipment	4 to 8

d) Research and development

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on research and development having alternative uses is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

Schedules to Balance Sheet and Profit and Loss account

e) Retirement benefits

Contributions payable employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Revenue recognition

Revenue received by way of contributions for research is recognised over the period for which the contribution has been received.

h) Income-tax expense

Income tax expense comprises current tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

i) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There are no commitments and contingent liabilities as on 31 March 2010 (previous year : Nil).

3. Related Party Disclosures:

Particulars	(Rs. thousands)	
	As at 31 March 2010	As at 31 March 2009
i. Due to related parties (Included in Creditors)		
Dr. Reddy's Laboratories Inc.	34	1,277
Aurigene Discovery Technologies Limited	46	-
ii. Due from related parties (Included in Debtors)		
Dr. Reddy's Laboratories Limited	21,877	-

3. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

4. The Company, incorporated in the United States of America, is a 100% Subsidiary of Reddy Antilles NV. Reddy Antilles NV is incorporated in Netherlands, is a 100% Subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2010.

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	(1,036)	(1,081)
Balance Brought forward	(237,462)	(236,381)
Balance Carried forward to Balance Sheet	(238,498)	(237,462)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Trigenesis Therapeutics Inc. at 31 March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 04/05/2010

Balance Sheet as at 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	9	9
Reserves and surplus	2	258,102	258,102
Loan funds			
Unsecured loans	3	192	216
Total		258,303	258,327
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	228,319	228,319
Less: Accumulated depreciation	`	208,539	207,504
Net block		19,779	20,814
Current assets, loans and advances			
Cash and bank balances		26	51
Current liabilities and provisions			
		-	-
Net current assets		26	51
Profit & Loss Account		238,498	237,462
Total		258,303	258,327
Notes to accounts	6		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for A. Ramachandra Rao & Co.
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 04/05/2010

for Trigenesis Therapeutics Inc.

Satish Reddy
Director

G V Prasad
Director

Profit and Loss Account for the year ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Other income		25	-
Total		25	-
Expenditure			
Operating and other expenses	5	21	42
Depreciation & Amortisation		1,040	1,039
Total Expenditure		1,061	1,081
Profit/ (Loss) before tax		(1,036)	(1,081)
Less: Income tax		-	-
Profit after taxation		(1,036)	(1,081)
Balance in profit/ (loss) account brought forward		(237,462)	(236,381)
Balance in profit/ (loss) account carried forward		(238,498)	(237,462)

Notes to accounts 6

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 04/05/2010

for **Trigenesis Therapeutics Inc.**

Satish Reddy
Director

G V Prasad
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2010	As at 31 March 2009
Schedule 1 : Share capital		
Authorised		
1000 equity shares of \$1.01 each	45,673	45,673
Subscribed and paid-up		
206 equity shares of \$1.01 each (Held by Dr. Reddy's Laboratories Ltd., Holding company)	9	9
TOTAL	9	9
Schedule 2 : Reserves & Surplus		
Share Premium	258,102	258,102
	258,102	258,102
Schedule 3 : Unsecured Loan		
Borrowings - IU	192	216
	192	216

Schedules to Balance Sheet (Contd.)

Schedule - 3 : Fixed Assets

(All amounts in Indian Rupees thousands, except share data)

	Gross Block				Depreciation			Net Block		
	01.04.2009	Additions	Sale	31.03.2010	For the year	Sale	Forex	31.03.2010	31.03.2010	
					01.04.2009					
INTANGIBLES	228,319	-	-	228,319	207,504	1,040	(5)	208,539	19,779	20,814
TOTAL	228,319	-	-	228,319	207,504	1,040	(5)	208,539	19,779	20,814
Previous Year	228,319	-	-	228,319	206,458	1,039	7	207,504	20,814	21,860

Schedule to Profit and Loss Account for the year ended 31 March 2010

All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 5 : Operating and other expenses		
Legal and professional charges	-	-
Exchange loss, net	-	42
Bank charges	21	-
	21	42

Schedules to Balance Sheet and Profit and Loss Account

Schedule 6 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

d) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

e) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

	<u>Years</u>
Intangibles	6-10

f) **Income-tax expense**

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

g) **Contingencies**

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. **Commitments and contingent liabilities**

There were no commitments or contingent liabilities as at 31 March 2010 (previous year : Nil).

3. **Related Party Transactions:**

Particulars	(Rs. in thousands)	
	As at 31 March 2010	As at 31 March 2009
i) Due from related parties (included in Borrowings):		
Dr. Reddy's Laboratories Inc.	(190)	215

4. **Comparative figures**

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in the United States of America, is a 100% subsidiary of Dr. Reddy's Laboratories Ltd.

